Front Cover: The Mackinac Bridge
Photo compliments of the Michigan Travel Bureau.

The 5 mile long Mackinac Bridge spans the Straits of Mackinac, which is the waterway connecting Lakes Michigan and Huron. Completed in November of 1957, the bridge benefits both commerce and tourism by linking the State's upper and lower peninsulas. The bridge features the world's longest total cable suspension and a 4 mile long uninterrupted steel superstructure.

James J. Blanchard, Governor

In recent years, the State of Michigan has improved both its financial condition and the quality of its financial reporting. We are committed to sound fiscal management and reporting in accordance with generally accepted accounting principles. It is with pleasure, therefore, that we present this year's Comprehensive Annual Financial Report.

S3985-2

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

STATE OF MICHIGAN

FISCAL YEAR ENDED SEPTEMBER 30, 1985

Prepared By:
THE DEPARTMENT OF MANAGEMENT AND BUDGET
ROBERT H. NAFTALY, DIRECTOR

OFFICE OF ACCOUNTING
JAMES J. BOLTHOUSE, DIRECTOR
RUSSELL E. PIGUE
JOSEPH D. FRICK
STEVEN D. GROVER
DONALD F. KNIEPER

STATE OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 1985
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Statements and schedules are truncated to thousands of dollars. Because of this, they may not add to the totals.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

P.O. BOX 30026, LANSING, MICHIGAN 48909
ROBERT H. NAFTALY, Director

The Honorable James J. Blanchard, Governor
Members of the Legislature
People of the State of Michigan

In compliance with Article IX, Section 21, of the State of Michigan Constitution and Michigan Public Act 431 of 1984, I am happy to submit the Comprehensive Annual Financial Report of the State of Michigan for the fiscal year ended September 30, 1985. I am particularly pleased to present this year's report because it demonstrates that the State's commitment to fiscal responsibility is being achieved. We are now in a position to balance our budgets without resorting to unacceptable accounting methods. Our improved credit ratings benefit both the State and the local units, and we are now in a position to reduce our tax rates to previous levels while maintaining the State's strong fiscal condition.

This report is prepared by the Department of Management and Budget, Office of Accounting, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. I am confident the data is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of the State's operations and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Reporting Standards and Presentation

Compliance with Generally Accepted Accounting Principles

The State is required by statute to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). This year, two of the three departures from GAAP financial reporting requirements which existed in last year's report have been eliminated:

General Fixed Assets and Capital Leases: The various departments had historically maintained decentralized fixed assets records which were primarily designed for the purpose of safeguarding assets. Consequently, the State did not have a central system capable of accumulating and reporting GAAP required information on capitalized leases and other fixed asset transactions in a "General Fixed Asset Account Group." An outside contractor was hired to assist the State in developing and implementing adequate systems and in determining initial values. This project was successful and this GAAP departure was eliminated.

Activities of the Michigan Higher Education Assistance Authority (MHEAA): Last year this organization was determined to be a part of the State's reporting entity, but was not included in its entirety because audited financial statements prepared in accordance with generally accepted accounting principles were not available. This year, outside auditors were hired and financial statements for the MHEAA have been included for the first time.

Michigan Unemployment Compensation Fund: The departure from GAAP which was not eliminated is the omission from this report of statements for the Michigan Unemployment Compensation Fund (MUCF). The MUCF, which is under the direction of the Michigan Employment Security Commission (MESC), was determined to be a part of the State for financial reporting purposes even though it is not accounted for within the State's accounting system. The State has not been able to comply with this reporting requirement because the MESC has not maintained accounting records which allow the timely completion of audited GAAP basis financial statements. The State intends to continue its efforts toward GAAP reporting for the MUCF and it is our goal that this final GAAP departure will be resolved prior to issuance of our 1985-86 statements.

Method of Presentation

This report uses the "reporting pyramid" approach established by the National Council on Governmental Accounting (NCGA) in Statement 1 and endorsed by the Governmental Accounting Standards Board (GASB). The pyramid does not provide a consolidated State financial statement; rather, it combines funds and component units in columns of fund types. The statements which reflect these combined fund type columns are referred to as the "General Purpose Financial Statements" and the auditor's opinion is primarily upon those columns.

Following the General Purpose Financial Statements are the combining financial statements, schedules, and statistical data. These statements and schedules provide detail, generally by fund, for the amounts shown in the fund type columns in the General Purpose Financial Statements. The term "Comprehensive Annual Financial Report" is used to describe all of the data presented in this report. The Government Finance Officers Association (GFOA) has established recommendations for the contents of Comprehensive Annual Financial Reports. We have submitted our report to the GFOA for their review and we are attempting to improve our report by complying with their recommendations.

Reporting Entity

Prior to 1982-83, the State defined its reporting entity primarily based upon the extent to which the State Treasurer was responsible for the monies of the various State agencies. In 1982-83, the State expanded its reporting entity to include "component units" using the financial oversight criteria provided in NCGA Statement 3. The primary result of this change was the inclusion of financing authorities in these statements, even though the State (as legally defined) is not directly responsible for their obligations.

Budgetary Reporting

Budgetary compliance for the annually budgeted operating funds is demonstrated in this report in the budget to actual comparative statements, footnote #3, and also in related supplementary schedules.

Financial Highlights - Oversight Entity

General Fund - Funding GAAP Departures

The State is required by Public Act 431 of 1984 to eliminate departures from GAAP in calculating fund balance for budgetary purposes. The statute also requires the State to maintain a balanced budget (i.e., the budget must provide for an ending unreserved fund balance which is not in deficit). Prior to fiscal year 1981-82, the State had avoided General Fund deficits by not recording certain liabilities when determining budgetary fund balance. This resulted in qualified auditors' opinions because of the unrecorded liabilities. Beginning with 1981-82, the State began using the NCGA recommended method of "dual basis" reporting so that both GAAP and "statutory/budgetary" statements were presented. Thus, the State began properly reporting fund balance deficits under GAAP even though the budget was, for legal purposes, in balance. The unfunded GAAP departures, which amounted to $790 million as of September 30, 1982, have now been eliminated and this greatly reduces the General Fund's dependence on interfund and outside borrowings to meet its cash flow needs.

The funding of the elimination of GAAP departures by special tax restrictions has contributed significantly to the State's improved financial position and credit ratings. In order to provide funding to permit the recording of liabilities on the budgetary as well as GAAP basis, the State restricted portions of the cigarette tax (10¢ per pack) and the personal income tax (.25%) for this purpose. These restricted revenues allowed the State to record medicaid related accruals on the budgetary basis in the 1983-84 fiscal year. In November 1985, it was determined that sufficient revenues had been generated to allow the recording during 1985-86 of the only remaining GAAP departure (unrecorded liabilities for estimated personal income tax refunds). This resulted in a lifting of the restriction on the cigarette tax and the reduction of the income tax rate from 5.35% to 5.1% on December 1, 1985.

Revenues

Revenues of the General and special revenue funds (excluding component units) are shown below (in millions):

Revenue Source - GAAP Basis	1984-85	Percent of Total	Increase From 1983-84	Percentage Increase
Personal Income Tax	$ 3,311.6	24%	$ 121.9	3.8%
Sales Tax	2,142.6	16	217.6	11.3
Single Business Tax	1,378.4	10	97.8	7.6
Other Taxes	2,125.2	16	114.8	5.7
Federal Revenues	3,190.7	23	160.6	5.3
Other Revenues	1,566.8	11	440.9	39.2
Total	$13,715.6	100%	$ 1,153.8	

The improving State economy contributed to generally higher tax revenues than were expected. The 1984-85 personal income tax rate, on an annualized basis, was lower this year by approximately 12.3% (5.35% for 1984-85, 6.10% for 1983-84). This decreasing of the rate largely offset the increases caused by the growth in personal income levels. The increase in other revenues is primarily attributable to increases in gross lottery revenues of $305.8 million which resulted from new games (Lotto). As described more fully in Note #3, the improving economy resulted in $340.7 million of revenue being transferred to the Budget Stabilization Fund.

Expenditures

Expenditures of the General and special revenue funds (excluding component units) are shown below (in millions):

Current, Capital Outlay, and Intergovernmental Expenditures by Function (GAAP Basis)	Amount	Percent of Total	Increase (Decrease) From 1983-84	Percent Change
Current:				
General government	$ 638.1	5%	$ 78.3	14.0%
Education	3,629.3	28	360.2	11.0
Health and welfare	4,187.2	32	144.4	3.6
Public safety & corrections	485.8	4	61.2	14.4
Conservation, recreation, & agriculture	214.5	2	32.1	17.6
Labor, commerce & regulatory	523.4	4	22.2	4.4
Mental health	815.5	6	103.8	14.6
Transportation	840.1	7	57.3	7.3
Lottery prize awards	433.4	3	142.7	49.1
Items not assigned to a function	2.7	-	(4.1)	(60.5)
Capital outlay (including highways)	428.5	3	21.6	5.3
Intergovernmental - revenue sharing	761.7	6	87.4	13.0
Total Current Capital Outlay and Intergovernmental	$12,960.9	100%	$ 1,107.6	

A major cause for the increase in general government expenditures ($39 million) was related to the administrative costs of the State Lottery Fund. Prize awards also increased significantly as a result of the increased sales. The increase in education related expenditures reflects renewed commitments for General Fund grants to institutions of higher education ($103 million) and payments to local districts through the School Aid Fund ($238 million). The increase in public safety and corrections is due mainly to the prison expansion program which caused an increase in correction's "current" and "capital outlay" of $42.3 and $42.0 respectively. The increase in revenue sharing payments is attributable to increased tax collections.

Debt Management - Oversight Entity

The State's level of general obligation debt is continuing to decrease as it has for the past eight years, falling from $573.5 million as of September 30, 1976 to the $241.7 million currently outstanding. This trend will continue in the future unless additional borrowing is authorized by the electorate.

Revenue dedicated bonded debt, which is primarily transportation related, decreased by $16.6 million to $418.4 million during 1984-85 as the State's only bond issue was for the purpose of refunding previous issues. This refunding issue is expected to result in future debt service savings of $2.5 million.

The State's cash flow requirements are greatest in the earlier part of the fiscal year and short-term notes are annually issued to provide additional financing. Such borrowings, which are constitutionally required to be repaid before fiscal year-end, amounted to $500 million during 1983-84, $450 million during 1984-85, with $350 million borrowed for 1985-86. This year, for the first time in several years, the notes were issued without the State being required to obtain third party guarantees. Combined, the improved credit ratings and the smaller note issues have resulted in significant reductions of borrowing costs.

Proprietary Funds - Oversight Entity

The Liquor Purchase Revolving Fund generated net income of $61.5 million which, pursuant to statute, was transferred to the General Fund. The State Sponsored Group Insurance Fund, which accounts for the State's self insurance for employee benefit programs, maintains its strong financial position, as assets held by the fund increased by $39.7 million to $116.6 million.

Pension Plans

The State Constitution requires the State to provide current funding of plan benefits and statutes provide for the amortization of unfunded prior service costs. As a result, the State's pension systems remain relatively strong and the amount of unfunded obligations passed on to future years is minimized.

The assets (at cost) of those funds included in this report as pension funds increased by $1.1 billion to $10.6 billion at September 30, 1985. The latest actuarial valuation of the two largest funds, the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS), were prepared as of September 30, 1985. The PSERS had net assets (at cost) of $7.6 billion versus the present value of credited projected benefits of $8.7 billion at September 30, 1985. The SERS had net assets of $2.2 billion versus the present value of credited projected benefits of $2.5 billion at September 30, 1985. Contributions to the PSERS and SERS were sufficient during 1984-85 to cover the current service as well as to amortize prior service costs in accordance with generally accepted accounting principles.

Financial Highlights - Component Units

Governmental Types

The State Building Authority, which is reflected in the special revenue, capital projects, and debt service fund types, has financed several major university and State building projects. Bonds outstanding total $539.5 million, with $79.0 million currently available in debt service funds for debt redemption. The most significant current project of the authority is related to the University of Michigan hospital, for which $237.9 million was borrowed.

Proprietary Types

The largest proprietary type authorities, which are reported as enterprise funds, are the Michigan State Housing Development and Hospital Finance Authorities. These authorities, which help finance various housing and hospital financing activities, have long-term liabilities of $1,850.0 million and $1,425.9 million outstanding, respectively, as of September 30, 1985.

Audit

The principal auditor of the State's reporting entity is the legislative Office of the Auditor General. Their examination was conducted in accordance with generally accepted auditing standards (GAAS), and their opinion precedes the General Purpose Financial Statements. The accounting firm of Deloitte Haskins and Sells has reviewed the General Purpose Financial Statements in accordance with standards established by the American Institute of Certified Public Accountants and their review letter also precedes these statements.

In addition to the annual audit of the State's general purpose financial statements, the Office of the Auditor General also performs periodic financial and expanded scope audits of the various State agencies. Outside accounting firms are also frequently used, particularly for the audits of separately issued component unit financial statements, such as those for the major financing authorities. The Auditor General, as the State's principal auditor, also has primary responsibility for federal Single Audit Act coverage and this work is generally being reported on at the department or authority level.

Conclusion

The State in recent years has been able to significantly improve its financial position. In addition to benefiting from the economic recovery generally, State actions to temporarily increase income taxes, restrain growth in spending, and restrict revenues for the purpose of eliminating GAAP departures on the budgetary basis have improved the State's credit ratings and its ability to meet the financial demands of the future.

Proposed federal cut backs and the possibility of economic downturns could adversely affect the State. Nevertheless, the State's current financial position is the strongest that it has been for several years. This strong financial position will help the State keep its commitments for quality programs to address the educational, social, environmental, and other needs of the citizens of this State.

Finally, I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe their combined efforts have produced a report that will enable government decision makers and concerned citizens to better evaluate and understand the State's financial condition.

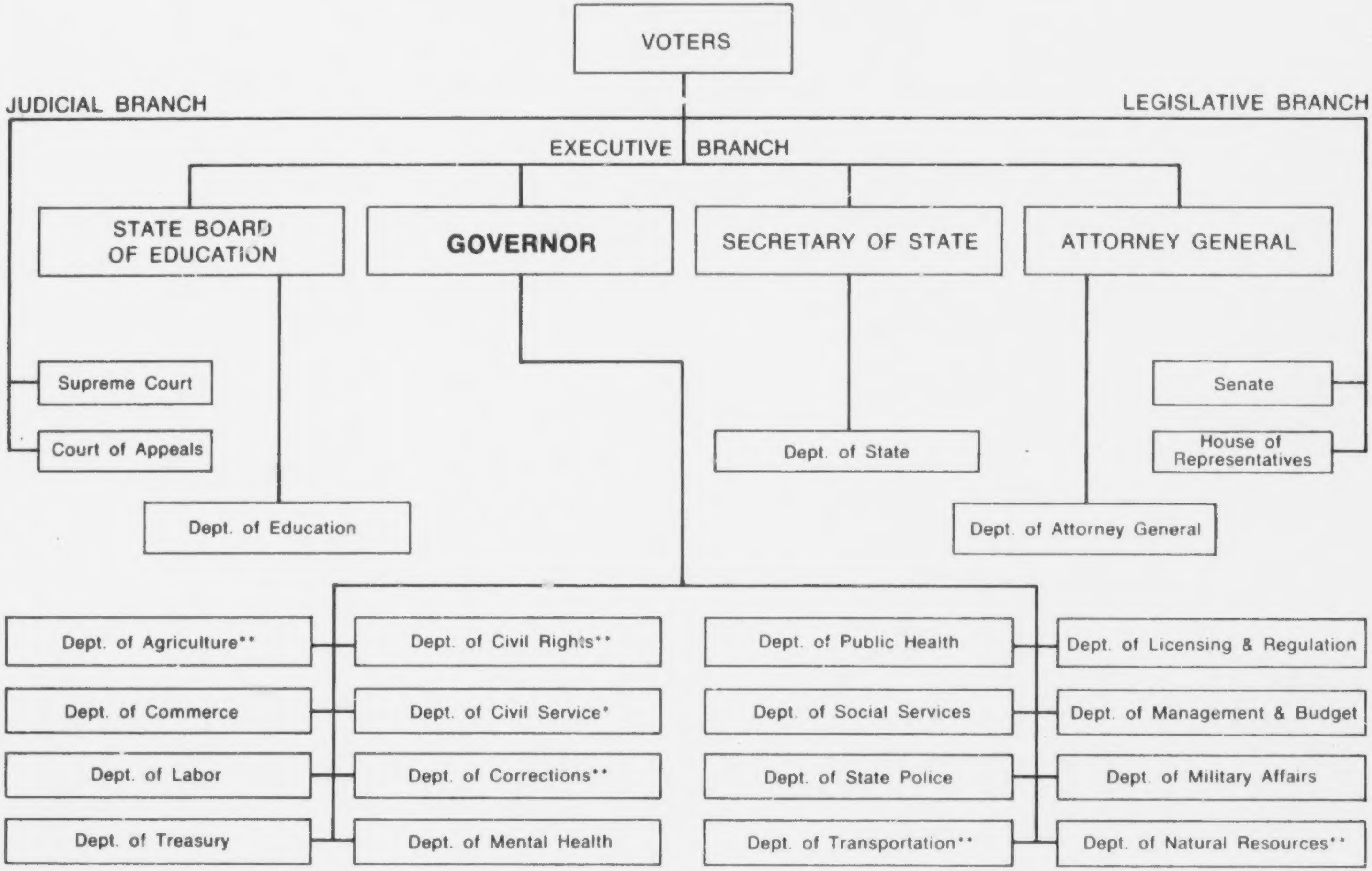
Very truly yours,

Director

March 17, 1986

STATE OF MICHIGAN

Organizational Structure


VOTERS
JUDICIAL BRANCH
LEGISLATIVE BRANCH
EXECUTIVE BRANCH
STATE BOARD OF EDUCATION
GOVERNOR
SECRETARY OF STATE
ATTORNEY GENERAL
Supreme Court
Court of Appeals
Dept. of Education
Dept. of State
Dept. of Attorney General
Senate
House of Representatives
Dept. of Agriculture**
Dept. of Commerce
Dept. of Labor
Dept. of Treasury
Dept. of Civil Rights**
Dept. of Civil Service*
Dept. of Corrections**
Dept. of Mental Health
Dept. of Public Health
Dept. of Social Services
Dept. of State Police
Dept. of Transportation**
Dept. of Licensing & Regulation
Dept. of Management & Budget
Dept. of Military Affairs
Dept. of Natural Resources**

*Have Commission appointed by Governor

**Have Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
Honorable G. Mennen Williams, Chief Justice
Honorable Charles L. Levin, Associate Justice
Honorable James H. Brickley, Associate Justice
Honorable Michael F. Cavanagh, Associate Justice
Honorable Patricia J. Boyle, Associate Justice
Honorable Dorothy Comstock Riley, Associate Justice
Honorable Dennis W. Archer, Associate Justice

LEGISLATIVE BRANCH

Honorable Martha W. Griffiths
President of the Senate

Honorable Gary M. Owen
Speaker of the House of Representatives

Franklin C. Pinkelman
Legislative Auditor General

EXECUTIVE BRANCH

Honorable James J. Blanchard, Governor

Honorable Frank J. Kelley, Attorney General

Honorable Richard H. Austin, Secretary of State

- State Board of Education
  - Honorable James J. Blanchard (Ex Officio)
  - Honorable Dorothy Beardmore
  - Honorable Barbara A. Dumouchelle
  - Honorable Carroll M. Hutton
  - Honorable Cherry Jacobus
  - Honorable Barbara Roberts Mason
  - Honorable Annetta Miller
  - Honorable Norman Otto Stockmeyer, Sr.
  - Honorable Edmund F. Vandette
- Phillip E. Runkel, Superintendent of Public Instruction

- Michigan Commission of Agriculture
  - Robert Chaffin
  - Elwood Kirkpatrick
  - George A. McManus, Jr.
  - Rita M. Reid
  - S. Leon Whitney
- Paul Kindinger, Director, Department of Agriculture

- Civil Rights Commission
  - Sondra Lynn Berlin
  - Beverly Clark
  - Eva Evans
  - Dorothy Haener
  - Michael C. Hidalgo
  - Rev. William Holly
  - Benny N. Napoleon
  - Philip VanDam
- John Roy Castillo, Director, Dept. of Civil Rights

- Civil Service Commission
  - John F. Dodge, Jr.
  - Walter R. Greene
  - Harriet B. Rotter
  - Alan A. May
- John F. Hueni, Jr., Director, Dept. of Civil Service

Doug Ross, Director, Department of Commerce

- Corrections Commission
  - Gwen Andrew
  - Brunetta Brandy
  - Thomas K. Eardley, Jr.
  - James H. Lincoln
  - Duane L. Waters
- Robert Brown, Jr., Director, Department of Corrections

Elizabeth P Howe, Director, Department of Labor

Raymond W. Hood, Sr., Director, Department of Licensing and Regulation

Robert H. Naftaly, Director, Department of Management and Budget

C. Patrick Babcock, Director, Department of Mental Health

Major Gen. Vernon J. Andrews, Director, Department of Military Affairs

- Natural Resources Commission
  - Thomas J. Anderson
  - Marlene J. Fluharty
  - Gordon E. Guyer
  - Kerry Kammer
  - O. Stewart Myers
  - David D. Olson
  - Raymond Poupore
- Ronald O. Skoog, Director, Department of Natural Resources

Gloria R. Smith, Director, Department of Public Health

Agnes M. Mansour, Director, Department of Social Services

Col. Gerald L. Hough, Director, Department of State Police

- Transportation Commission
  - William C. Marshall
  - Hannes Meyers, Jr.
  - Lawrence C. Patrick, Jr.
  - Carl V. Pellonpaa
  - Weston E. Vivian
  - Rodger D. Young
- James P. Pitz, Director, Dept. of Transportation

Robert A. Bowman, State Treasurer

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II FINANCIAL SECTION

AUDITORS' LETTERS

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
333 SOUTH CAPITOL AVENUE-SUITE A
LANSING, MICHIGAN 48913
(517) 373-3773

FRANKLIN C. PINKELMAN, C.P.A.
AUDITOR GENERAL

CHARLES S. JONES, C.P.A.
DEPUTY

March 18, 1986

The Honorable James J. Blanchard, Governor
Members of the Legislature

We have examined the general purpose financial statements of the State of Michigan principally as of September 30, 1985 and for the fiscal year then ended, listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units of the State of Michigan which are reported in the special revenue, debt service, enterprise, and capital projects funds and are more fully described in Notes 1, 4, and 25 to the general purpose financial statements. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts reported for these component units, is based solely upon the reports of the other auditors.

As disclosed in Note 27 to the general purpose financial statements, a determination has not been made of the amount, if any, of State revenues that may be required to be refunded to certain taxpayers under a provision of the State Constitution because of uncertainties regarding the underlying assumptions. The ultimate outcome of this matter is dependent upon possible legislative or judicial actions which cannot be anticipated at this time.

As described in Notes 1 and 18, the general purpose financial statements referred to in the first paragraph do not include the Michigan Unemployment Compensation Fund of the Michigan Employment Security Commission, as required by generally accepted accounting principles. This omission results in an understatement of the amounts reported in the general purpose financial statements for the fiduciary fund type and the General Long-Term Obligations Account Group.

In our opinion, based on our examination and the reports of other auditors, except as stated in the following sentence and subject to the effects, if any, of such adjustments as might have been required had the outcome of the uncertainty discussed in the second paragraph been known, the general purpose financial statements referred to in the first paragraph present fairly the financial position of the various fund types of the State of Michigan principally as of September 30, 1985 and the results of operations of such fund types and the changes in financial position of the proprietary fund types and pension related trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the inclusion this year of the General Fixed Assets Account Group and Capital Lease Liabilities and the deletion of a portion of the Michigan Higher Education Assistance Authority from the expendable trust fund group and the inclusion of this authority in its entirety in the enterprise fund group; we concur with all of these changes which are described in Note 4 to the general purpose financial statements. In our opinion, because of the effects of the matter discussed in the third paragraph, the general purpose financial statements referred to in the first paragraph do not present fairly, in conformity with generally accepted accounting principles, the financial position of the fiduciary fund type and the General Long-Term Obligations Account Group as of September 30, 1985 and the results of operations of the fiduciary fund type for the year then ended.

Our examination also comprehended the supplemental financial data listed in the foregoing table of contents. In our opinion, except for the effects of the matters discussed in the second and third paragraphs, such supplemental data when considered in relation to the general purpose financial statements presents fairly in all material respects the information shown therein.

The statistical data listed in the foregoing table of contents was not audited by us and, accordingly, we express no opinion on it.

Sincerely,

Pinkelman

Franklin C. Pinkelman, C.P.A.
Auditor General

Deloitte Haskins + Sells

Suite 3100
100 Renaissance Center
Detroit, Michigan 48243-1167
(313) 446-0100
ITT TIMETRAN: 4994951

The Honorable Franklin C. Pinkelman, CPA
Auditor General
State of Michigan
Lansing, Michigan

March 18, 1986

We have reviewed the general purpose financial statements of the State of Michigan principally as of September 30, 1985 and for the fiscal year then ended, listed in the foregoing table of contents, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the State of Michigan Department of Management and Budget.

A review consists principally of inquiries of State personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, except for the matter described in the fifth paragraph and subject to the effects, if any, of such adjustments as might have been required had the outcome of the uncertainty described in the following paragraph been known, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As disclosed in Note 27 to the general purpose financial statements, a determination has not been made of the amount, if any, of State revenues that may be required to be refunded to certain taxpayers under a provision of the State Constitution because of uncertainties regarding the underlying assumptions. The ultimate outcome of this matter is dependent upon possible legislative or judicial actions which cannot be anticipated at this time.

As explained in Notes 1 and 18, the accompanying general purpose financial statements do not include the financial statements of the Michigan Unemployment Compensation Fund of the Michigan Employment Security Commission as required by generally accepted accounting principles.

Our review was made for the purpose of expressing the limited assurance described in the third paragraph concerning the financial statements taken as a whole. Our review also comprehended the supplemental financial data listed in the foregoing table of contents which are presented for purposes of additional analysis and are not a required part of the basic financial statements. Based on our review, except for the effects of the matters described in the fourth and fifth paragraphs, we are not aware of any material modifications that should be made to the supplemental financial data in order for such data, when considered in relation to the general purpose financial statements, to be in conformity with generally accepted accounting principles. The statistical data listed in the foregoing table of contents was not reviewed by us; accordingly, we do not express an opinion or any other form of assurance on it.

Yours truly,

Deloitte Haskins + Sells

STATE OF MICHIGAN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1985
(In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 14,578	$ 2,847	$ 72	$ 16
Equity in Common Cash (Note 5)	742,647	934,649	4,177	629
Taxes, interest, and penalties receivable (at net) (Note 6)	864,254	154,013	-	-
Amounts due from other funds (Note 21)	1,431	51,925	7	-
Amounts due from federal agencies	352,119	97,881	-	24
Amounts due from local units (at net) (Note 9)	98,775	21,431	-	-
Inventories	14,102	11,553	-	-
Investments (Note 10)	-	84,722	31,822	1,458
Other current assets	124,285	32,409	1,290	46
Total Current Assets	2,212,194	1,391,434	37,371	2,174
Taxes, interest, and penalties receivable (at net) (Note 6)	22,560	3,155	-	-
Advances to other funds (Note 21)	17,196	2,283	-	-
Amounts due from local units	16,588	135,091	-	-
Mortgage notes/loans receivable (Note 11)	-	-	-	-
Investments (Note 10)	-	131,368	53,551	1,193
Property, plant and equipment (Note 12)	-	-	-	-
Other noncurrent assets	11,486	12,268	-	-
Amount available for retirement of bonds	-	-	-	-
Amount to be provided for bond retirement	-	-	-	-
Amounts to be provided for other long-term obligations (Note 16)	-	-	-	-
Total Assets	$ 2,280,026	$ 1,675,601	$ 90,923	$ 3,368
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash (Note 5)	$ -	$ 99,124	$ -	$ -
Warrants outstanding	76,521	7,181	-	11
Accounts payable and other liabilities	834,019	276,790	1,611	1,083
Estimated income tax refunds payable	701,020	-	-	-
Amounts due to other funds (Note 21)	53,874	34,291	3	-
Bonds and notes payable (Note 19)	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	26,770	14,106	-	-
Escrow funds	-	-	-	-
Total Current Liabilities	1,692,205	431,494	1,615	1,095
Long-Term Liabilities:				
Advances from other funds (Note 21)	-	16,846	-	-
Prize awards payable	-	107,507	-	-
Deferred revenue	30,489	21,684	-	-
Bonds and notes payable (Notes 16 and 19)	-	-	-	-
Other long-term liabilities (Note 16)	937	-	-	-
Total Liabilities	1,723,632	577,533	1,615	1,095
Fund Equity:				
Investment in general fixed assets	-	-	-	-
Retained earnings (Note 23)	-	-	-	-
Reserved fund balance (Note 24)	417,226	647,353	314	590
Unreserved fund balance (deficit)	139,167	450,714	88,992	1,682
Total Fund Equity (Deficit)	556,394	1,098,067	89,307	2,273
Total Liabilities and Fund Equity	$ 2,280,026	$ 1,675,601	$ 90,923	$ 3,368

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTALS (MEMORANDUM ONLY)
$ 83,284	$ 1,027	$ 3,066	$ -	$ -	$ 104,893
40,097	93,696	409,367	-	-	2,225,264
-	-	12,678	-	-	1,030,946
749	1,684	38,875	-	-	94,674
6,084	-	25,872	-	-	481,982
-	238	39,529	-	-	159,974
74,440	9,141	-	-	-	109,237
478,759	-	361,827	-	-	958,590
90,599	2,574	173,289	-	-	424,495
774,014	108,362	1,064,507	-	-	5,590,060
-	-	20,933	-	-	46,648
-	-	-	-	-	19,480
-	-	590	-	-	152,269
2,624,212	-	-	-	-	2,624,212
764,950	-	11,411,595	-	-	12,362,659
24,240	37,749	-	1,331,788	-	1,393,777
5,492	28,151	2,668	-	-	60,067
-	-	-	-	88,992	88,992
-	-	-	-	1,115,597	1,115,597
-	-	-	-	542,208	542,208
$ 4,192,910	$ 174,263	$12,500,295	$ 1,331,788	$ 1,746,798	$23,995,975
$ 688	$ 3,365	$ 3,549	$ -	$ -	$ 106,727
855	73	54,037	-	-	138,681
73,020	52,262	119,269	-	-	1,358,057
-	-	-	-	-	701,020
1,143	223	5,138	-	-	94,674
206,631	-	-	-	-	206,631
96,581	-	-	-	-	96,581
19,500	50,385	19,317	-	-	130,080
100,867	-	-	-	-	100,867
499,288	106,309	201,312	-	-	2,933,321
-	-	2,633	-	-	19,480
-	-	-	-	-	107,507
-	-	20,933	-	-	73,106
3,388,053	-	-	-	1,204,590	4,592,643
8,816	15,499	-	-	542,208	567,462
3,896,158	121,809	224,879	-	1,746,798	8,293,521
-	-	-	1,331,788	-	1,331,788
296,751	52,454	-	-	-	349,205
-	-	10,614,019	-	-	11,679,505
-	-	1,661,396	-	-	2,341,953
296,751	52,454	12,275,416	1,331,788	-	15,702,453
$ 4,192,910	$ 174,263	$12,500,295	$ 1,331,788	$ 1,746,798	$23,995,975

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	$ 6,632,838	$ 2,325,188	$ -
From federal agencies	2,745,668	445,101	-
From local agencies	101,570	16,494	7,613
From services	91,645	2,356	-
From licenses and permits	96,277	57,334	5,105
Miscellaneous	174,991	1,049,796	8,893
Total Revenues	9,842,992	3,896,272	21,613
EXPENDITURES			
Current:			
General government	528,121	110,208	77
Education	1,435,258	2,249,455	-
Health and welfare	4,187,289	-	-
Public safety and corrections	485,832	-	-
Conservation, recreation, and agriculture	207,723	6,907	-
Labor, commerce, and regulatory	402,423	121,422	-
Mental health	815,537	-	-
Transportation	-	843,098	169
Lottery prize awards	-	433,460	-
Items not assigned to a function	2,728	-	-
Capital outlay	69,486	359,111	-
Intergovernmental - revenue sharing	761,748	-	-
Debt service:			
Bond principal retirement	-	-	88,940
Bond interest and fiscal charges	-	-	105,179
Transfer to escrow agent	-	-	56,349
Capital lease payments	13,361	4,517	-
Total Expenditures	8,909,511	4,128,182	250,715
Excess of Revenues over (under) Expenditures	933,480	(231,910)	(229,102)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	-	32,875	-
Proceeds from refunding bond issue	-	-	56,519
Capital lease acquisitions	23,007	2,064	-
Operating transfers in	230,033	1,590,613	184,539
Operating transfers out	(875,171)	(1,037,442)	(3,288)
Total Other Financing Sources (Uses)	(622,129)	588,111	237,769
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	311,350	356,200	8,667
Fund Balances (Deficit) - Beginning of fiscal year as previously reported	248,644	722,568	80,640
Effect of accounting changes (Note 4)	-	-	-
Fund Balances (Deficit) - Beginning of fiscal year - restated	248,644	722,568	80,640
Equity transfers from other funds	-	19,299	-
Equity transfers to other funds	(3,600)	-	-
Fund Balances (Deficit) - End of fiscal year	$ 556,394	$ 1,098,067	$ 89,307

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPE	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
$ -	$ 58,838	$ 9,016,866
51	92,075	3,282,896
-	17,821	143,499
-	-	94,002
-	-	158,716
627	371,442	1,605,751
678	540,178	14,301,733
-	95,365	733,773
-	56	3,684,771
-	11	4,187,301
-	-	485,832
-	502	215,133
-	62,493	586,338
-	5,860	821,397
3,846	114,782	961,895
-	-	433,460
-	-	2,728
3,318	-	431,916
-	-	761,748
-	-	88,940
-	-	105,179
-	-	56,349
-	-	17,879
7,164	279,071	13,574,646
(6,486)	261,106	727,087
4,300	-	37,175
-	-	56,519
-	-	25,071
26	5,009	2,010,223
(144)	(22,891)	(1,938,937)
4,182	(17,881)	190,052
(2,303)	243,225	917,139
20,275	1,443,677	2,515,806
-	(25,506)	(25,506)
20,275	1,418,171	2,490,300
-	-	19,299
(15,698)	-	(19,299)
$ 2,273	$ 1,661,396	$ 3,407,439

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	GENERAL FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 6,543,940	$ 6,585,768	$ 41,828
From federal agencies	2,917,301	2,748,146	(169,155)
From local agencies	117,982	101,570	(16,412)
From services	72,045	91,645	19,600
From licenses and permits	85,300	96,277	10,977
Miscellaneous	132,541	126,951	(5,590)
Operating transfers in	208,729	230,033	21,304
Total Revenues and Other Sources	10,077,840	9,980,393	(97,447)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Legislative	84,797	80,882	3,915
Judicial	96,625	102,821	(6,196)
Executive	3,218	2,879	339
Management and Budget	1,261,777	1,245,666	16,111
Attorney General	24,889	23,993	895
Civil Rights	10,827	10,737	90
Civil Service	13,687	12,516	1,170
State	83,020	81,998	1,022
Treasury	173,306	168,946	4,359
Education	911,442	909,324	2,117
Grants to Colleges and Universities	967,085	968,334	(1,249)
Public Health	261,368	261,178	190
Mental Health	815,573	827,832	(12,259)
Social Services	3,910,716	3,902,205	8,510
Corrections	381,897	379,095	2,801
Military Affairs	23,860	23,177	683
State Police	163,037	168,687	(5,649)
Transportation	-	-	-
Commerce	174,199	172,819	1,379
Labor	239,840	239,405	435
Licensing and Regulation	17,394	16,821	573
Natural Resources	182,683	182,638	45
Agriculture	41,925	40,428	1,496
Items Not Assigned to Departments	319	2,728	(2,409)
Total Expenditures, Operating Transfers Out, and Encumbrances	9,843,495	9,825,121	18,374
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 234,344	155,271	$ (79,072)
Reconciling Items (Note 3):			
Encumbrances at September 30		100,674	
Net effect of basis differences		55,403	
Funds not annually budgeted		-	
Net Reconciling Items		156,078	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		311,350	
FUND BALANCES (GAAP BASIS)			
Beginning balances		248,644	
Equity transfers from other funds		-	
Equity transfers to other funds		(3,600)	
Ending balances (GAAP Basis)		$ 556,394	

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,331,685	$ 2,325,187	$ (6,497)	$ 8,875,625	$ 8,910,956	$ 35,330
351,926	338,329	(13,596)	3,269,227	3,086,475	(182,751)
15,658	16,273	614	133,641	117,843	(15,797)
696	814	117	72,741	92,459	19,718
35,734	51,600	15,866	121,034	147,878	26,843
115,031	126,097	11,066	247,573	253,048	5,475
1,637,019	1,567,741	(69,277)	1,845,748	1,797,775	(47,972)
4,487,752	4,426,045	(61,707)	14,565,592	14,406,438	(159,154)
-	-	-	84,797	80,882	3,915
-	-	-	96,625	102,821	(6,196)
-	-	-	3,218	2,879	339
46,826	44,120	2,706	1,308,604	1,289,786	18,817
-	-	-	24,889	23,993	895
-	-	-	10,827	10,737	90
-	-	-	13,687	12,516	1,170
1,412	550	861	84,432	82,548	1,884
-	-	-	173,306	168,946	4,359
2,191,772	2,191,772	-	3,103,215	3,101,097	2,117
-	-	-	967,085	968,334	(1,249)
-	-	-	261,368	261,178	190
-	-	-	815,573	827,832	(12,259)
-	-	-	3,910,716	3,902,205	8,510
-	-	-	381,897	379,095	2,801
-	-	-	23,860	23,177	683
-	-	-	163,037	168,687	(5,649)
1,915,349	1,885,070	30,278	1,915,349	1,885,070	30,278
-	-	-	174,199	172,819	1,379
5,435	5,029	406	245,276	244,434	841
-	-	-	17,394	16,821	573
62,466	60,245	2,221	245,150	242,883	2,266
-	-	-	41,925	40,428	1,496
-	-	-	319	2,728	(2,409)
4,223,263	4,186,789	36,474	14,066,759	14,011,910	54,848
$ 264,488	239,255	$ (25,233)	$ 498,833	394.527	$ (104,305)
	198,896			299,571	
	1,441			56,845	
	(83,394)			(83,394)	
	116,944			273,023	
	356,200			667,550	
	722,568			971,212	
	19,299			19,299	
	-			(3,600)	
	$ 1,098,067			$ 1,654,462	

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS AND FUND BALANCES
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
OPERATING REVENUES:				
Operating revenues	$ 443,757	$ 283,905	$ -	$ 727,662
Contributions from members and employers	-	-	759,401	759,401
Interest income on loans	231,082	-	-	231,082
Investment revenue (net)	120,067	-	961,082	1,081,149
Miscellaneous	50,035	-	6,771	56,806
Total Operating Revenues	844,942	283,905	1,727,254	2,856,103
OPERATING EXPENSES:				
Salaries, wages, and other administrative expenses	58,106	31,515	5,740	95,362
Interest expense	311,940	-	-	311,940
Depreciation	1,164	8,724	-	9,889
Purchases for resale	338,466	23,165	-	361,631
Purchases for manufacturing	-	4,761	-	4,761
Payment of premiums and claims	-	212,430	-	212,430
Benefits, insurance, and refunds	-	-	518,968	518,968
Other operating expenses	51,285	-	-	51,285
Total Operating Expenses	760,964	280,596	524,709	1,566,269
Operating Income (Loss)	83,978	3,309	1,202,545	1,289,833
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	(25)	-	-	(25)
Mineral rights revenue	19,000	-	-	19,000
Specific tax on spirits	7,498	-	-	7,498
Gain (loss) on disposal of fixed assets	(3)	(113)	-	(116)
Research center grants	(5,000)	-	-	(5,000)
Other nonoperating revenues (expenses)	(32)	8	-	(24)
Total Nonoperating Revenues (Expenses)	21,436	(104)	-	21,331
Income (Loss) Before Operating Transfers	105,415	3,204	1,202,545	1,311,165
OPERATING TRANSFERS:				
Operating transfers in	2,563	1,229	83	3,876
Operating transfers out	(67,716)	(2,155)	(5,289)	(75,161)
Total Operating Transfers In (Out)	(65,153)	(926)	(5,206)	(71,285)
Net Income (Loss)	40,261	2,278	1,197,339	1,239,879
Retained Earnings and Fund Balances - Beginning of Fiscal Year - as previously reported	238,383	50,176	9,416,680	9,705,239
Effect of accounting change (Note 4)	18,106	-	-	18,106
Retained Earnings and Fund Balances - Beginning of fiscal year - restated	256,489	50,176	9,416,680	9,723,346
Retained Earnings and Fund Balances - End of fiscal year	$ 296,751	$ 52,454	$10,614,019	$10,963,225

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985

(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
SOURCES OF FUNDS:				
From Operations:				
Net income (loss)	$ 40,261	$ 2,278	$ 1,197,339	$ 1,239,879
Items not requiring (providing) working capital:				
Depreciation	1,164	8,724	-	9,889
Compensated absences - long-term portion	1,244	137	-	1,381
Disability claims - long-term portion	-	6,354	-	6,354
Provision for losses on mortgage loans	2,045	-	-	2,045
Amortization of deferred items	7,791	-	-	7,791
Loss (gain) on disposal of fixed assets	3	113	-	116
Contributed fixed assets included in operating transfers	(1,245)	-	-	(1,245)
Working Capital Provided (Used) from Operations	51,264	17,607	1,197,339	1,266,211
Proceeds from bonds and notes sold	632,337	-	-	632,337
Principal repayments on loans	106,761	-	-	106,761
Sale of fixed assets	10	2,094	-	2,105
Decrease in noncurrent investments (net)	1,601	-	49	1,650
Working Capital Provided (Used)	791,976	19,701	1,197,388	2,009,066
Total Sources (Uses) of Funds	$ 791,976	$ 19,701	$ 1,197,388	$ 2,009,066
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net)	$ 149,693	$ -	$ 1,125,428	$ 1,275,121
New loans issued	329,690	-	-	329,690
Decrease in long-term bonds and notes payable	293,513	-	-	293,513
Increase in other noncurrent assets	2,081	5,861	-	7,943
Acquisition of fixed assets	962	15,662	-	16,625
Capitalization of fixed assets	-	23	-	23
Net increase (decrease) in working capital	16,033	(1,845)	71,960	86,148
Total Application of Funds	$ 791,976	$ 19,701	$ 1,197,388	$ 2,009,066
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ 5,456	$ (10)	$ (262)	$ 5,183
Equity in Common Cash	7,534	32,478	59,927	99,941
Amounts due from other funds	(173)	257	7,565	7,649
Amounts due from federal agencies	(302)	-	-	(302)
Amounts due from local units	-	(52)	(5,553)	(5,606)
Inventories	18,713	421	-	19,135
Investments	114,082	-	(49,730)	64,351
Other current assets	6,002	425	(6,093)	335
Warrants outstanding	1,338	986	8,464	10,789
Accounts payable and other liabilities	(25,087)	(3,702)	57,641	28,852
Amounts due to other funds	74	(130)	-	(56)
Bonds and notes payable - current	(85,554)	-	-	(85,554)
Interest payable	(12,530)	-	-	(12,530)
Deferred revenue	311	(32,520)	-	(32,209)
Escrow funds	(13,832)	-	-	(13,832)
Net Increase (Decrease) in Working Capital	$ 16,033	$ (1,845)	$ 71,960	$ 86,148

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles as applicable to governments except for the omission of the activities of the Michigan Unemployment Compensation Fund, which is described below. The following is a summary of the more significant policies:

A. Reporting Entity

In accordance with the National Council on Governmental Accounting (NCGA) Statement 3, continuing in force under the Governmental Accounting Standards Board (GASB), these financial statements include the financial transactions of all government organizations for which the State has the ability to exercise significant oversight except for the Michigan Unemployment Compensation Fund. The extent of oversight responsibility is based upon several criteria including: selection of governing authority, designation of management, the ability of the State to significantly influence operations, and accountability for fiscal matters including the level of State financing and/or moral or legal responsibility for the long-term debt of the organizations. Based upon this criteria evaluation, the following component units are included in this report:

Governmental Fund Types	Proprietary Fund Types
State Building Authority	Michigan State Housing Development Authority
Mackinac Bridge Authority	Michigan State Hospital Finance Authority
Michigan Job Development Authority	Michigan Higher Education Student Loan Authority
Michigan Higher Education Facilities Authority	Michigan Economic Development Authority
Michigan Family Farm Development Authority	Mackinac Island State Park Commission
	Michigan Higher Education Assistance Authority

As more fully explained in Note #4, this is the first year for which the Michigan Higher Education Assistance Authority activities are included. In prior fiscal years, this unit was excluded because it was unable to provide audited financial statements.

The Michigan Unemployment Compensation Fund (MUCF) of the Michigan Employment Security Commission (MESC) has not been included because audited financial statements prepared in accordance with generally accepted accounting principles are not available. Two other funds of the MESC are included. These are the Michigan Employment Security Act Administration Fund (a special revenue fund), and the Michigan Employment Security Act Contingency Fund (a trust fund). See Note #18 for additional disclosure regarding long-term liabilities of the MUCF.

The Michigan Job Development and Economic Development Authorities have been dissolved by statute and are being merged into the newly created Michigan Strategic Fund. This year's report continues to reflect these two agencies and next year's report will reflect the merger into the new entity as of October 1, 1985. The effect of this statutory change is further described in Note #28.

An additional organization, the Michigan State Accident Fund (MSAF), may meet the criteria for inclusion in the reporting entity. However, a final determination has not yet been made because MSAF has entered into legal proceedings challenging the level of State control over their operations. Therefore, the MSAF has not been included, in its entirety, in this report. The State currently accounts for a portion of the investments of the MSAF within its own accounting system. This portion is included as an expendable trust fund titled the "Michigan State Accident Fund." A separately issued financial report is available upon request from the MSAF.

Public institutions of higher education have been excluded from these statements. Community colleges are excluded because they are local units of government. Other public institutions have been excluded based upon an application of the manifestations of oversight criteria of NCGA Statement 3. By State Constitution, law, and practice the institutions have been made autonomous and the degree of State oversight is so remote that it is deemed most appropriate not to reflect them as part of the entity. The following summarizes the evaluation of the manifestations of oversight: (a) the three largest institutions' governing boards are selected by the electorate and State officials do not maintain significant continuing relationships with the other institutions' boards; (b) institution employees are not part of the State's classified civil service; (c) management is not appointed by the State; (d) the State does not establish or control the budgets; (e) the State is not responsible for debts or deficits; (f) assets are held in the name of the institutions; (g) each institution maintains its own accounting records, investments, and bank accounts (h) each issues its own financial statements which are audited by outside accounting firms selected by the institution; (i) the institutions have significant

Note 1 continued on next page.

non-state revenues. The State grants to the institutions are generally unrestricted in that each institution determines how the money is used, although in some cases the State makes grants for specific programs. In the operating statements, these grants are classified as "Education" expenditures of the funds making grants.

The Michigan Supreme Court, the Michigan Court of Appeals, the Court of Claims, the 36th District Court, and the Wayne County Circuit Court are included in the reporting entity. The financial transactions of these courts are included in the General Fund. Other circuit courts, district courts, and probate courts are considered local units of government activities and they have been excluded from these statements.

The State is also party to a joint venture entered into with the Canadian government for the operation of the International Bridge at Sault Ste. Marie, Michigan. The International Bridge Authority is governed by a commission made up of five members, three from the State and two from the Canadian government. Toll revenues are used to finance the cost of operating and maintaining the bridge as well as to cover debt service requirements. Budgetary and financial control over the authority is the responsibility of the commission. Summary financial information (in thousands) for the authority as of its fiscal year ended August 31, 1985 with comparative information for the fiscal year ended August 31, 1984 is as follows:

	1985	1984
Current Assets	$1,496	$1,574
Current Liabilities	544	502
Total Equity	953	1,072
Total Revenues	2,591	2,650
Total Expenditures	2,711	2,437
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(119)	213
Fixed Assets (cost)	2,478	2,455
Long-Term Debt (Bonds Payable)	7,850	7,850

B. Basis of Presentation

With the exception of component unit statements added pursuant to NCGA Statement 3, the financial transactions of the State are recorded in individual funds in the State's central accounting system. The various funds and units, as more fully explained in Note #2, are combined into the various fund types described below:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the State's primary operating fund. It is used to account for general purpose financial resources and those restricted revenues which are not required to be accounted for in separate funds.

Special Revenue Funds: This fund group includes operating funds and component unit activities which account for the proceeds of certain specific revenue sources that are legally restricted for specified purposes.

Capital Project Funds: Funds used to account for the acquisition or construction of major State capital facilities which are financed by bond proceeds are reported in this fund group.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PROPRIETARY FUND TYPES

Enterprise Funds: This fund group includes component units and funds whose operations and finances are accounted for in a manner similar to private business enterprises. For this group, it is the intent of the State that: (a) the costs (i.e., expenses, including depreciation) of providing goods or services to the general public be financed primarily by user charges; or (b) "net income" be periodically determined and used as appropriate for capital maintenance, management control, or other purposes.

Internal Service Funds: This group is similar to enterprise funds except that the goods or services are provided primarily to other agencies or funds of the State, rather than to the general public.

Note 1 continued on next page.

FIDUCIARY FUND TYPES

Trust and Agency Funds: This group includes assets held by the State in a trustee or agent capacity. The group is subdivided into three subtypes: (a) pension funds which are accounted for in the manner similar to proprietary funds; (b) expendable trust funds, which are accounted for in a manner similar to governmental funds; and (c) agency funds which are purely custodial in nature and for which asset and liability balances, but not operating results, are included in the general purpose financial statements.

ACCOUNT GROUPS

General Fixed Assets Group: This group of accounts is included in this report for the first time this year. It is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the State, except for assets of proprietary fund types which are recorded directly in the fund.

General Long-term Obligations Group: This group accounts for all of the long-term obligations of the State, except for those accounted for directly in a fund.

TOTALS (MEMORANDUM ONLY)

Amounts in the "total - memorandum only" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "total - memorandum only" columns are not comparable to a consolidation.

C. Basis of Accounting

For financial reporting purposes, the governmental fund types, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. As explained in Note #3, there are some differences from the modified accrual basis for statutory/budgetary purposes. The proprietary fund types and the pension trust funds use the accrual basis.

The modified accrual basis emphasizes the measurement of current financial resources and obligations (i.e., "financial flow" focus). Therefore, fund revenues and other financing sources are recorded when financial resources become "available" to fund current liabilities; expenditures are recorded when financial obligations (other than general long-term obligations) are incurred; and unreserved fund balance reflects current financial resources available for the general purpose of the fund.

The accrual basis emphasizes the measurement of "net income," (i.e., "capital maintenance" focus). Using this basis, revenues are recognized when "earned" and expenses are recognized when "incurred." All financial resources and obligations of the fund, whether current or noncurrent, are recorded in the fund; fund equity represents retained earnings. The primary differences in these bases are:

(1) For governmental fund types, most long-term liabilities are reported in the general long-term obligations account group, rather than as fund liabilities. The proceeds of long-term borrowings result in increases to fund balance because "other financing sources" are credited to the fund. Fund liabilities related to general long-term obligations are recognized when they become "due and payable."

(2) Fixed asset acquisitions are recorded as expenditures of governmental fund types in the year acquired. Such assets are capitalized in proprietary fund types, with depreciation expense recognized over the life of the asset.

(3) In governmental funds, accrued revenue receivable which is not "available" is recorded as deferred revenue. Other noncurrent assets result in reservations of fund balance. Such deferrals and reserves are usually not reflected in proprietary type funds.

Note 1 continued on next page.

D. Fiscal Year-Ends

All funds and component units are reported using fiscal years which end on September 30, except for three authorities which are reported using fiscal years that end on June 30. The three authorities are the Mackinac Bridge Authority (special revenue and debt service), the Michigan State Housing Development Authority (enterprise), and the Michigan State Hospital Finance Authority (enterprise).

E. Assets, Liaibilities, and Fund Equity

Equity in Common Cash: The State Treasurer maintains centralized management of most State cash resources (not including component units added pursuant to Statement 3). The operations of the common cash pool are described in Note #5 to these statements.

Taxes Receivable: Tax revenue is accrued to the extent that it is both measurable and available. The State's application of measurability and availability criteria to taxes is described in Note #6.

Federal Revenue Receivables: For most federally funded programs, such as matching grants, revenue is accrued so that revenue is recognized in the same period as related obligations. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities and there is no impact on fund balance.

Inventories: Inventories are valued at cost, primarily using a first in first out flow assumption, and expenditures/expenses are recognized using the consumption method (i.e., when used or sold).

Investments: Equity securities are stated at cost and debt securities are stated at amortized cost. Market value information is provided in Note #10.

Property, Plant, and Equipment: General fixed assets are recorded at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time in 1985, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated. Expenditures of the governmental fund types which materially extend the useful life of existing fixed assets are capitalized.

Infrastructure ("public domain") fixed assets such as undeveloped State owned lands, roads, and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not provided on general fixed assets.

Assets of proprietary funds are capitalized at cost upon acquisition and depreciation expense on buildings and equipment is recorded over the expected life of the assets. Depreciation is calculated using the straightline method, except for automotive equipment in the Motor Transportation Revolving Fund (an internal service fund) which is depreciated using the 150% declining balance method.

Additional disclosures related to fixed assets and assets acquired through capital leasing are provided in Notes #12 and #17, respectively.

Warrants Outstanding: Warrants outstanding represent drafts issued against the State Treasurer which have not yet cleared. These are somewhat similar to outstanding checks; however, cash is not reduced until the warrant is redeemed.

Estimated Income Tax Refunds Payable: The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. The statutory/budgetary basis recognizes these liabilities only to the extent that they have been paid through November. The amount paid through November 30 was $36 million this year and $37 million last year. These amounts are included in the "Accounts payable and other liabilities" line. The "Estimated income tax refunds payable" line represents refunds to be made after November 30, that are currently recognized only for GAAP reporting. As explained in Note #3, the State has reserved certain revenues to fund the recording of this liability on the statutory/budgetary basis, which is expected to occur in the 1985-86 year. Note #8 explains the impact of tax credit programs on the amounts being accrued.

Note 1 continued on next page.

Prize Awards Payable: The State Lottery Fund, a special revenue fund, includes a long-term liability for deferred prize awards. Liabilities are recorded at present value at the time a deferred prize is awarded using discount rates of 6 to 8%. The policy of the State is to fully fund these liabilities at the time of the award by setting aside assets (investments and common cash equity) in an amount equal to the present value of the awards. Because the obligations are fully funded, they are recorded as fund liabilities rather than as general long-term obligations.

Deferred Revenue: Deferred revenue is recognized when cash, receivables, or other assets are received or recognized prior to their being earned or available. Unearned revenue deferrals are classified with current liabilities; unavailable revenue deferrals are classified as short-term or long-term based upon whether the related receivable is due within 12 months.

Long-Term Liabilities: General long-term obligations which are not reported as fund liabilities are reported in the general long-term obligations account group. The group, which is more fully described in Note #16, includes general obligation and revenue dedicated bonds, compensated absences and judgments, workers' compensation, early retirement program, and unemployment compensation fund interest deferral liabilities related to the funds accounted for on the modified accrual basis. These liabilities result in fund expenditures when they become "due and payable."

Long-term liabilities of the proprietary funds are recognized in the funds, except for the portions of the workers' compensation liability for which fund distribution is not reasonably estimable.

Liabilities from capitalizable leases, which NCGA Statement 5 requires to be recorded upon lease inception, are explained more fully in Note #17.

Fund Equity: Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance." The fund equity of proprietary funds is called "retained earnings."

Contributed capital has not been separately recorded in the proprietary funds because no significant capital contributions have occurred in recent years. Amounts contributed in the past were not separately recorded, but the amount that is not recorded would not be material to these statements.

Fund Balance Reservations: Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the uncommitted balances available for expenditure for the general purposes of the fund. Details related to the make-up of reserved fund balances are reported in Note #24.

As more fully explained in Note #24, certain assets for which the State is acting in a trustee capacity are accounted for in expendable trust funds. These funds' unreserved balances represent net assets held by the State on behalf of others. Major funds of this nature include the Municipal Employees' Retirement Fund, State Employees' Deferred Compensation Fund, and the Michigan State Accident Fund. In funds such as these, liabilities are recognized when disbursements to the funds' beneficiaries become "due and payable."

F. Revenues, Expenditures, Encumbrances, Expenses, and Other Financing Sources and Uses

Revenues: Revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Revenues of governmental funds that accrue to the State independent of when expenditures are incurred by the State (such as taxes, licenses, and permits) are considered "available" when the payer incurs the obligation to the State before year-end and payment is received within 60 days. Delinquent taxes receivables is the only significant departure from the above (see Note #6). Revenue which the State earns by incurring obligations (such as matching federal grants) are generally recognized in the same period that the related obligations are recognized. Such accrued revenue is considered available even if it is not received within 60 days. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.

Note 1 continued on next page.

Expenditures: Expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental Revenue Sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure (e.g. highways). Intergovernmental revenue sharing is used to account for the distribution of certain tax revenues which are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds accounted for in the general long-term obligations account group and payments on capitalized leases.

Encumbrances: Encumbrances are recorded only to the extent that spending authority carry-over is allowed or required for budgetary purposes. Noncapital outlay encumbrances carry-over only if the encumbrance is a legal obligation that was entered into prior to September 16, is for a nonrecurring service, and does not specify delivery after September 30. Capital outlay related encumbrances are recognized through September 30, but only if unused line-item authority exists. Capital outlay encumbrances in excess of authorizations are to be funded from subsequent year revenues, as more fully described in Note #27.

Expenses: Expenses are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale).

Other Financing Sources: These additions to governmental fund balances include resources and financing provided by bond proceeds, capital leases, and operating transfers from other funds.

Other Financing Uses: These are reductions of governmental fund resources, normally resulting from operating transfers to other funds.

G. Interfund Transactions

Operating Transfers In (Out): Except as described below, transactions between funds are classified as operating transfers. These include most of the routine transfers of resources between funds, such as when funds received in one fund are used to finance expenditures appropriated in another fund.

Equity Transfers: Residual equity transfers are used to record nonrecurring or nonroutine transfers of equity between funds. During 1984-85, there were two such transfers recorded. The transfer of $3.6 million from the General Fund to the Budget Stabilization Fund, a special revenue fund, on the GAAP basis is explained in Note #3. The other equity transfer was to record the distribution of net assets remaining after the completion of activities associated with the Detroit X-Way Construction Fund, a capital projects fund. Net assets of $15.7 million remaining after completion of the project were transferred to the State Trunkline Fund, a special revenue fund.

Reimbursements: The reimbursement method reclassifies expenditures/expenses from the fund originally making a disbursement to the fund in which the expenditure/expense is more properly attributable.

Quasi - External Transactions: This method treats interfund transactions as if they were occurring with an outside entity. Internal service, certain expendable trust funds, and pension trust fund revenues are reported using this method.

NOTE 2 -- FUNDS BY CLASSIFICATION

The following table lists all of the funds and component unit statements which make up the various fund types. Component units which were not considered part of the State reporting entity prior to implementation of NCGA Statement 3 are identified by "(cu)." Funds which are subject to annual appropriation and for which statements comparing budget to actual are included in this report are identified by an "*" (see Note #3).

General Fund*

Special Revenue Funds:
- Transportation Related:
  - State Aeronautics Fund*
  - State Trunkline Fund*
  - Michigan Transportation Fund*
  - Comprehensive Transportation Fund*
  - Comprehensive Transportation Bond Construction Fund
  - 1983 State Trunkline Fund Bond Proceeds Fund
  - 1984 Comprehensive Transportation Bond Proceeds Fund
  - 1984 State Trunkline Fund Bond Proceeds Fund
- Conservation and Recreation Related:
  - Game and Fish Protection Fund*
  - Michigan State Waterways Fund*
  - Marine Safety Fund*
  - State Park Improvement Fund*
  - State Recreational Land Acquisition Trust Fund*
  - Water Pollution Control Bond Fund
  - Hazardous Waste Management Fund
  - Michigan Nongame Fish and Wildlife Fund*
- Regulatory and Administrative Related:
  - Michigan Employment Security Act - Administration Fund
  - Motor Vehicle Accident Claims Fund*
  - Safety Education and Training Fund*
  - State Construction Code Fund*
  - Michigan Justice Training Fund*
  - Homeowner Construction Lien Recovery Fund
  - State Lottery Fund
- State Authorities:
  - State Building Authority (cu)
  - Michigan Higher Education Facilities Authority (cu)
  - Michigan Family Farm Development Authority (cu)
  - Michigan Job Development Authority (cu)
  - Mackinac Bridge Authority (cu)
- Other:
  - Counter-Cyclical Budget and Economic Stabilization Fund*
  - Michigan Veterans' Benefit (Trust) Fund*
  - School Aid Fund*
  - Vietnam Veteran Era Bonus Fund
  - School Bond Loan Fund
  - Children's Trust Fund*

Debt Service Funds:
- Water Pollution Control Bond and Interest Redemption Fund
- Public Recreation Bond and Interest Redemption Fund
- Vietnam Veteran Era Bonus Bond Redemption Fund
- Comprehensive Transportation Bond and Interest Redemption Fund
- 1983 State Trunkline Fund Bond and Interest Redemption Fund
- 1984 Comprehensive Transportation Bond and Interest Redemption Fund
- 1984 State Trunkline Fund Bond and Interest Redemption Fund
- 1985 Comprehensive Transportation Refunding Bond and Interest Redemption Fund
- Michigan Trunkline Bond and Interest Redemption Fund Series II thru IX
- School Loan Bond Redemption Fund
- Expressway Bond and Interest Redemption Fund
- State Park Revenue Bond Fund
- State Building Authority (cu)
- Mackinac Bridge Authority (cu)

Capital Projects Funds:
- Public Recreation Bond Fund
- Detroit X-Way Construction Fund
- State Building Authority (cu)

Enterprise Funds:
- Liquor Purchase Revolving Fund
- Michigan State Fair Revolving Fund
- Department of Natural Resources Magazine Fund
- Michigan State Hospital Finance Authority (cu)
- Michigan Higher Education Student Loan Authority (cu)
- Michigan Higher Education Assistance Authority (cu)
- Mackinac Island State Park Commission (cu)
- Michigan Economic Development Authority (cu)
- Michigan State Housing Development Authority (cu)

Note 2 continued on next page.

Internal Service Funds:
- Correctional Industries Revolving Fund
- Federal Surplus Revolving Fund
- Central Drug Repackaging Revolving Fund
- Motor Transport Revolving Fund
- Office Services Revolving Fund
- State Sponsored Group Insurance Fund

Trust Funds:
- Pension Related:
  - Legislative Retirement Fund
  - State Police Pension, Accident, and Disability Fund
  - State Employees' Retirement Fund
  - Public School Employees' Retirement Fund
  - Probate Judges' Retirement Fund
  - Judges' Retirement Fund
- Expendable Trust Funds:
  - Michigan Employment Security Act Contingency Fund
  - Michigan State Accident Fund (See Note 1A)
  - Second Injury Fund
  - Municipal Employees' Retirement Fund
  - State Employees' Deferred Compensation Fund
  - Transportation Related Trust Funds
  - Miscellaneous Trust Accounts Fund

Agency Funds:
- Receipts Clearing Fund
- Metropolitan Planning Fund
- Contribution Fund (Social Security)
- Airport Authorities Facilities Improvement Trust Fund
- School Emergency Loan Revolving Fund
- Hazardous and Solid Waste Disposal Facilities Closure Guarantee Fund
- Heritage Trust Fund

NOTE 3 -- BUDGETING AND BUDGETARY CONTRO

A. Major Constitutional and Statutory Provisions - Oversight Entity

Balanced Budget: Article V of the State Constitution mandates that the executive budget recommend spending limits per operating fund to the Legislature that are within available resources. Article IV of the State Constitution mandates the Legislature to enact appropriations for a fund that do not exceed that fund's revenue estimates. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is to recommend spending reductions as necessary to avoid a year-end deficit.

Revenue Limits: Article IX, Section 26 of the State Constitution restricts State revenues to a ceiling based upon revenues as a proportion of personal income. It further provides that State revenues (other than federal aid and revenues for payment of principal and interest on general obligation bonds) in any fiscal year are limited to a percentage (approximately 10%) of State personal income in the prior calendar year or that percentage of the average State personal income in the previous 3 calendar years, whichever is greater. For the 1984-85 fiscal year, the Department of Management and Budget has not made a final determination of whether or not the State has exceeded the revenue limitation because, as explained in Note #27, certain assumptions used in the calculation are being questioned. If revenues exceed the revenue limitation by 1 percent or more, the entire amount of such excess is to be rebated to personal income and single business taxpayers. Any excess of less than 1 percent may be transferred to the State's Budget Stabilization Fund; however, the Legislature is under no obligation to do so.

Local Spending Requirements: Article IX, section 30 requires that State spending to, or on behalf of, local units of government not fall below 41.61% of total State spending. Calculation of the percentage paid in 1984-85 is not yet complete, however, it is anticipated that payments to local units exceeded the requirement.

For the fiscal year 1983-84, State spending to local units amounted to 41.63%, which represents approximately $1.4 million in excess of the requirement. For the fiscal year 1982-83, there was a shortage of $27.5 million. In anticipation of a shortage of $58.5 million, $58.5 million was appropriated in 1983-84 to the "Local Government Payment Fund" which is accounted for as a General Fund reservation. At the end of 1983-84, $17.6 million of the reservation remained and was carried forward into 1984-85. During 1984-85, $13.6 million was used for school aid payments and $4.0 million was used for the "outstate cities equity program."

Note 3 continued on next page.

Budget Stabilization Fund: The Counter-Cyclical Budget and Economic Stabilization Fund was created by Public Act 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn to fund capital outlay projects.

This year, transfers were made into the fund for the first time since 1978-79, when it ended the year with a balance of $241.1 million. Transfers from the fund during 1979-80 and 1980-81 depleted it, except for a relatively small balance. The following summarizes the transactions of the fund on the statutory/budgetary basis for 1984-85 (in millions):

Beginning balance	$ 3.6
Transfers In	340.7
Appropriated for Prison Construction	(34.2)
Interest Income	30.8
Ending balance	$340.9

B. Budgetary Control - Governmental Fund Types

Budgetary control processes vary significantly between programs and funds. Annual legislative appropriations and revenue estimates are provided only for "operating funds." These operating funds include only the General Fund and 18 of the special revenue funds. (Note #2 identifies the operating funds.) The other funds are usually subject to some more limited form of budgetary control, such as financial plans or a limiting of expenditures to the amount of resources. The budget to actual comparative statements in this report reflect only the annually budgeted "operating funds" of the oversight entity.

Revenues: General purpose (unrestricted) revenue estimates are provided in both the original executive budget and in original legislative appropriations in order to demonstrate compliance with constitutional provisions. Public Act 431 of 1984 makes the Department of Management and Budget responsible for updating revenue projections. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with providing control to related expenditure accounts. For programs financed from restricted revenues, spending authorizations are, generally, contingent upon receipt of the related revenue. If revenues fall short of estimates, authorizations are proportionately reduced. If revenues exceed the estimate, supplemental appropriations are usually required before they can be spent.

Spending: The level and method of control provided over spending varies significantly between funds and programs. However, most spending authorizations are broken down into object categories (e.g., salaries) by organizational subunits (e.g. divisions) of departments. If a department wishes to transfer spending authority from one account to another, it must, generally, receive legislative approval. Expansion of total spending authority usually requires a supplemental appropriation. In the event that expenditures and/or encumbrances exceed authorization during a year, the department must request a supplemental appropriation (carry back) for the amount overspent.

Budgetary control of spending is maintained by the central accounting system at the appropriation account level. Spending authority accounts are at a level of detail which makes it infeasible to include a comparison of budget to actual at the level of budgetary control in the State's Comprehensive Annual Financial Report. A separate report is published by the Department of Management and Budget detailing the disposition of authorizations at the spending account level.

C. Statutory/Budgetary Presentation

This year's "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Governmental Fund Types" statement has been changed from last year so that now only annually appropriated "operating funds" are included. Last year's report presented budgetary comparisons for all governmental type funds other than component units and trust funds. This change was made to better reflect the level of budgetary control being actually exercised and because of the inconsistencies created by combining annually budgeted funds with other funds.

Note 3 continued on next page.

Revenue budgets this year are also presented differently because of the new provisions for revenue estimate updating in Public Act 431 of 1984. This act permits budget adjustments by the Legislature through 60 days after year-end. Generally accepted accounting principles require that the final legal budget be reflected in the "budget" column, therefore the updated estimates as of November 30 are reported.

The actual expenditures and encumbrances column is classified by department, rather than by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budgetary process.

The expenditures budget column represents original and supplemental authorizations as adjusted for carry-backs, executive order reductions, approved transfers, restricted revenue shortfall adjustments, and timing differences. The timing differences result from work project and capital outlay authorizations which are provided for a period of more than one year. Such authorization balances remaining at year-end are removed from the budget column. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority which carries over as a reservation of fund balance; "unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

D. Statutory/Budgetary Reconciliation - General Fund and Special Revenue Funds

The statutory/budgetary basis determination of fund balance differs from generally accepted accounting principles (GAAP) in that liabilities are not recognized for estimated income tax refunds payable.

The statutory/budgetary basis presentation also differs from GAAP in ways that do not affect ending fund balance:

Encumbrances: As explained in Note #1, the State records encumbrances if they meet certain limiting criteria. The recorded encumbrances are considered uses of spending authority in the year entered into and sources of spending authority in subsequent years. This carry-over of spending authority is recorded as a reservation of fund balance on both bases of accounting.

Capital leases: For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Longevity: In prior years, longevity accruals were recorded on the GAAP basis, but not on statutory/budgetary basis. Longevity was paid to employees based upon their length of service as of September 30th. Now, most employees receive these payments throughout the year based upon their individual cumulative service hours, therefore, this year-end liability no longer exists. The effect of not recording this liability at September 30, 1984 causes a difference in expenditures between the GAAP and statutory/budgetary basis this year. But, this difference, which is included in the "net effect of basis differences" line, should not recur in future years.

Expenditure recoveries: On the GAAP basis, recoveries of prior year expenditures are generally recorded as miscellaneous revenues. For budgetary purposes, certain of these recoveries are recorded as expenditure reductions.

The following table is a reconciliation of unreserved General Fund balance as calculated for budget purposes with unreserved fund balance as determined following GAAP (in millions):

Statutory/Budgetary Unreserved Fund Balance		$117.0
Estimated Income Tax Refunds Liability.......		701.0
Revenue restricted to funding GAAP liabilities:		
Provided by cigarette taxes (WCRA)........	$ 398.6	
Provided by income taxes (SAFRA)	$ 324.6	
Total Working Capital Reserve..........		723.2
GAAP Unreserved Fund Balance................		$139.2

Note 3 continued on next page.

The Working Capital Reserve Account (WCRA) was funded by a tax of 10¢ per pack on cigarettes imposed by Public Act 73 of 1982. The State Accounting and Fiscal Responsibility Account (SAFRA) reserve was generated by restriction of a .25% personal income tax increase passed in fiscal 1982-83. These accounts are being used to fund the elimation of the differences between the statutory/budgetary and GAAP bases. The SAFRA account was used to record net accrued liabilities of $101.8 million related to the medicaid program on the statutory/budgetary basis in 1983-84.

The estimated income tax refund liability as of September 30, 1986 was projected to have been adequately funded by the accumulated Working Capital Reserve in November of 1985. Therefore, as of December 1, 1985, the State personal income tax rate was reduced by .25% and the restriction on the cigarette tax expired. At September 30, 1986, the estimated income tax refund liability will be recorded using the funding provided by the balance in the reserve account. If the reserve balance at that time proves to be less than the recorded liability, the difference will require the use of general funds. If the reserve exceeds the liability, the balance will become available for appropriation.

In prior fiscal years, the Budget Stabilization Fund was closed to the General Fund on the GAAP basis because of the fund deficits reported under GAAP. Because transfers are now being made into the fund and because the General Fund deficit has been eliminated, this year the Budget Stabilization Fund is recorded on both bases. On the GAAP basis, an equity transfer into the Budget Stabilization Fund in the amount of the fund's beginning balance ($3.6 million) was recorded so that from now on, there will be no difference in the reporting of these funds.

E. Budgetary Overdrafts

The following summarizes line-item overexpenditures and overencumbrances (in thousands) of oversight entity funds incurred during the year:

General Fund	
Legislative	$ 23
Judicial	6,196
Management and Budget	177
Attorney General	78
Education	540
Colleges and Universities	1,250
Public Health	740
Mental Health	18,515
Social Services	1,779
Corrections	257
State Police	5,680
Labor	249
Licensing and Regulation	32
Natural Resources	3,767
Items Not Assigned to Departments	2,409
General Fund Total	$41,699
Special Revenue Funds	
Game and Fish Protection Fund	$ 86
Michigan Veterans' Benefit (Trust) Fund	706
State Trunkline Fund	908
Michigan State Waterways Fund	1
Marine Safety Fund	13
Water Pollution Control Bond Fund	3,591
Special Revenue Funds Total	$ 5,309

The Water Pollution Control Bond Fund, a special revenue fund, has recorded encumbrances which caused the overdraft as well as an accumulated unreserved fund balance deficit of $3.6 million. It is anticipated that future interest earnings will be sufficient to cover these encumbrances in future years.

NOTE 4 -- ACCOUNTING CHANGES

Addition of the General Fixed Assets Account Group and Capital Lease Reporting

This year for the first time, the State's balance sheet includes the general fixed assets account group and capital lease liabilities as required by generally accepted accounting principles. In prior years, these items were not included because fixed asset records were decentralized and many records did not include historical cost information. In addition, the State did not have a system for analyzing lease commitments to determine amounts which needed to be capitalized in accord with NCGA Statement 5.

Using the assistance of an outside accounting firm, the State has analyzed its fixed asset and lease records to develop initial valuations and to implement improved record keeping systems. The value of general fixed assets as of last year's balance sheet date was not calculated, therefore, a disclosure of changes in general fixed assets is not included in this year's notes. The accounting policies and the amounts recorded for the general fixed assets group are described in Notes #1 and #12, respectively.

The change in reporting capital leases affects the Statement of Revenues, Expenditures, and Changes in Fund Balance as well as the General Long-term Obligations Account Group on the balance sheet. In accord with NCGA Statement #5, assets acquired by capital leasing are recorded as expenditures, other financing sources, and general long-term obligations in the year of acquisition. Payments on capital leases are classified as debt service expenditures and general long-term obligation reductions in the year the payments are due and payable. The amounts involved in this change, which affected the General Fund and two special revenue funds, are described in Notes #16 and #17. Fund balances were not affected by the change because the earlier expenditure recognition is offset by the recognition of the other financing sources.

Addition of the Michigan Higher Education Assistance Authority (MHEAA)

In prior fiscal years, the MHEAA was not included in its entirety because audited financial statements for this component unit were not available. A portion of the MHEAA's transactions have for many years been included in the State's expendable trust fund group because the State holds certain assets and makes disbursements on behalf of the authority.

This year, the MHEAA has issued audited financial statements and the State has blended this authority into the Enterprise fund group. Net assets of $25.5 million held by the State as of October 1, 1984, which were formerly reported in the expendable trust fund group, have been removed from that group and included in the MHEAA balances. This amount is reflected on the "Effect of accounting change" line in the expendable trust funds column on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The amount of the effect of this fund classification change and also the addition of previously unrecorded assets and liabilities to the Enterprise fund group is reflected on the "Effect of accounting change" line on the Statement of Revenues, Expenses, and Changes in Retained Earnings. The effect of this change on the Enterprise fund group is demonstrated in Note #25, which provides segment information for this fund group.

NOTE 5 -- STATE TREASURER'S COMMON CASH

The State Treasurer manages the State's common cash pool, which is used by all State funds except certain trust funds and component units. Investments of the pool are not segregated by State fund, rather, each contributing fund's balance is treated as equity in the pool, which is recorded in separate accounts within the General Fund. The State Treasurer annually publishes the "Annual Report of the State Treasurer" which includes audited financial schedules summarizing the pool's transactions.

In the State's Comprehensive Annual Financial Report, the pooled cash is not reported as a separate fund, rather, each fund's balance in the pool is reported on the balance sheet on the lines "Equity in Common Cash" or "Liability to Common Cash." Accrued earnings of the pool are recorded as "other assets" in the General Fund and accrued distributions for the quarter ending September 30 are reflected as interfund receivables and payables. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds using the reimbursement method.

Note 5 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

Whether a particular fund receives or pays interest on its balances in the pool is determined by statute or administrative policy. If a fund does not receive or pay interest, the General Fund receives or absorbs such charges. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter.

The State Treasurer invests excess cash in short-term investments, primarily prime commercial paper. The Treasurer is not prohibited by law from entering into repurchase agreements, however, the Treasurer did not use these agreements in managing the pool in 1984-85.

The statutes creating the fund have been amended to provide for three special investment programs as follows:

Emergency Loans to Municipalities: The State Treasurer may invest not more than $5 million in any particular fiscal year in municipal bonds of financially troubled State cities.

Chrysler Corporation Mortgage: In 1980, the State made a loan of $150 million to the Chrysler Corporation which is secured by a mortgage on industrial property. The terms of this loan, which were renegotiated in 1984, provide for an interest rate of 11.0 percent and annual principal repayments of $25 million through 1989.

Farm Loan Program: Created in 1985, this program permits the State Treasurer to invest up to $139 million in below market rate certificates of deposits and notes of financial institutions for the purpose of providing the financial institutions with funds to lend, at the financial institution's risk, to qualified farm operations. Repayment to the State by the financial institution is not conditioned upon repayment of the loan to the financial institution by the farmer and loans to financial institutions are fully collateralized. Under this program, rates charged to the financial institutions are set for 90 day periods at 2 percentage points below the 30-day Treasury bill auction rate. All loans to the financial institutions become due under the statute no later than September 30, 1987.

For all of the above programs, earnings or principal increases or losses accrue only to the General Fund. There have been no principal losses because of these to date.

The following schedule of assets and equities (in millions) is a summary of the common cash pool as of September 30.

ASSETS	1985	1984
Cash in banks -- demand deposits	$ 97.8	$ 51.5
Cash in banks -- time deposits	19.5	.1
Cash in banks -- farm loan program	131.1	-
Prime commercial paper--at cost	1,764.7	1,202.4
U.S. Treasury Bonds--at cost	5.1	5.1
Municipal bonds -- at cost	10.8	8.5
Mortgages -- at cost	100.0	125.0
Total assets	$ 2,129.3	$ 1,392.7
EQUITIES		
Fund equities in common cash	$ 2,225.2	$ 1,506.5
Fund liabilities to common cash	(106.7)	(124.3)
Imprest cash and other items	10.8	10.5
Net fund equities	$ 2,129.3	$ 1,392.7

The market value of prime commercial paper at September 30, 1985 and 1984 was $1,775.8 and $1,211.0 million, respectively.

NOTE 6 -- TAXES RECEIVABLE

In general, taxes receivable represent amounts due to the State at September 30 that were received by the State within approximately 60 days. Sales, use, and income taxes are accrued to the extent that the related sales or wage payments occurred prior to October 1 and the State receives deposits prior to December 1. Annual tax payments (e.g. those filed on an annual basis) have not been accrued because they are neither reasonably estimable nor available. Single business tax revenue is similarly accrued, with receipts through early December (i.e., quarterly filings are due November 30) recognized as revenue to the extent that the activities being taxed occurred prior to October 1. The telephone and telegraph taxes are due December 1 and are received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months. Taxes receivable (amounts expressed in millions), as of September 30, consisted of the following:

	FUND TYPES				
	General	Special Revenue	Expendable Trust	1985 Total	1984 Total
Sales & Use Taxes	$ 142.4	$ 136.1	$ -	$ 278.6	$ 260.2
Individual Income Taxes	439.3	-	-	439.3	384.3
Single Business Taxes	384.7	-	-	384.7	341.4
Telephone & Telegraph Taxes	54.6	-	-	54.6	55.7
Motor Fuel Taxes	-	70.1	-	70.1	64.3
Cigarette Taxes	20.1	2.1	-	22.3	21.2
Unemployment Taxes (See note #18)	-	-	33.6	33.6	38.3
Other Taxes	27.3	-	-	27.3	27.3
Penalties and Interest	137.6	-	-	137.6	107.9
Gross Taxes Receivable	1,206.4	208.4	33.6	1,448.4	1,301.0
Less allowance for uncollectibles	(319.6)	(51.2)	-	(370.9)	(285.0)
Less taxes to be received more than 12 months after year end	(22.5)	(3.1)	(20.9)	(46.6)	(49.3)
Current Taxes Receivable	$ 864.2	$ 154.0	$ 12.6	$1,030.9	$ 966.6

NOTE 7 -- PERSONAL INCOME TAX RATE

The State's personal income tax rate has been changing in recent years pursuant to statutory requirements and statute changes. During fiscal year 1984-85, the annualized rate was 5.35% as compared to 6.10% for 1983-84. The rate dropped from 5.35% to 5.10% on December 1, 1985 (see Note #3). A statute was enacted subsequent to year-end which reduces the rate to 4.60% on April 1, 1986.

NOTE 8 -- TAX EXPENDITURES

Individual Income Tax Credits

The Michigan Income Tax Act allows for tax credits which are applied against the computed individual income tax amount. The property tax and home heating credits may exceed an individual's tax liability and generate a payment to the individual. These credits are accounted for as a reduction of income tax revenue, similar to over withholding refunds. As discussed in Note #3, these are accounted for on the modified accrual basis in the GAAP based financial statements and primarily on the cash basis in the statutory/ budgetary financial statements.

Note 8 continued on next page.

Calendar year 1985 estimates and 1984 actual tax return credits are presented in the following table (in millions):

	CALENDAR YEAR	
	1985 Estimate	1984 Actual
Property tax credits		
General homestead	$315.0	$311.8
Senior citizens	240.0	229.5
Farmland preservation	80.0	71.7
Other	16.0	16.1
Subtotal- property tax credits	651.0	629.1
Other credits		
City income tax	26.0	25.6
College contributions	11.0	10.0
Home heating (including federal share)	43.0	44.8
Others	16.0	15.3
Total individual income tax credits	$747.0	$724.8

Of the 1985 estimated credits, $513.9 million has been established as a liability of the General Fund at September 30, 1985 and is included in the "Estimated Income Tax Refunds Payable" amount of $701.0 million. The corresponding amount of credits accrued in 1984 was $532.5 million, which was included in the total estimated refund liability of $748.1 million.

Credits to Businesses for Supplemental Workers' Compensation Benefits

The State reimburses employers for certain supplemental workers' compensation benefits. Most employers receive their reimbursements in the form of single business or insurance premium tax credits, which are recorded as tax revenue reductions. During 1984-85, these reimbursements resulted in revenue reductions totalling $17.9 million, of which $11.3 million were in the form of single business tax credits and $6.6 million were related to insurance company premium taxes.

NOTE 9 -- AMOUNTS DUE FROM LOCAL UNITS

Wayne County Receivables

Excluded from "Amounts due from local units" are receivables from Wayne County for certain services provided through February 29, 1984. Under the terms of an agreement between the State and Wayne County, it was agreed to settle disputed amounts that had accumulated over a number of years at $89.5 million. In addition, a long-term repayment schedule was agreed to that included provisions that could result in cancellation of up to $39.73 million of the $89.5 million receivable. In 1982-83, an "allowance for loss" on amounts receivable from local units of government was established for the $89.5 million by a charge to "provision for loss on amounts due from local units."

Under the terms of the agreement, the receivable is scheduled to be repaid in 10 yearly July 1 installments. The payments due on July 1, 1986-88 will be in the amount of $8.55 million and on July 1, 1989-93 in amounts of $9.35 million. If Wayne County's expenditures for certain hospitalization services exceed $3.95 million in any county fiscal year the excess amount up to $8.55 million in 1985-86, $7.0 million in 1986-87, $4.0 million in 1987-88, and $3.0 million in 1988-89 may be used to offset the scheduled debt repayment. Because of the measurability and availability issues involved in this agreement, recoveries of the receivable will be recognized as a "financing source of funds" only when a final accounting of the county's expenditures for the specified services is available.

Note 9 continued on next page.

During fiscal years 1983-84 and 1984-85, the entire scheduled repayments ($8.55 million for each year) were forgiven. The following table summarizes the status of this receivable as of September 30 (in thousands):

	1985	1984
Gross Receivable.............	$72,400	$80,950
Allowances:		
Possible Offsets...........	22,630	31,180
Long-term Portion..........	49,770	49,770

Loans to School Districts

The State has in prior years issued general obligation bonds ($26.7 million currently outstanding) which were used to establish a program for making long-term loans to school districts. These outstanding loans receivable, which currently amount to $77.2 million of principal and $33.8 million of accrued interest, have not been recorded as fund assets. The fund to which repayments will accrue cannot be accurately determined because fund allocation is contingent upon future events.

There are no specific timetables for repayment of the loans which carry variable interest rates. Repayments are recorded as revenue in the School Loan Bond Redemption Fund (a debt service fund) because, by statute, repayments are first used to cover debt service requirements of the bonds. If repayments are ever insufficient to cover these requirements, the General Fund is required to cover the deficiency.

NOTE 10 -- INVESTMENTS

The following table lists face value or original cost, unamortized premium or discount (net), amortized cost, and market value (in millions) of investments other than common cash (See Note #5) at September 30, 1985:

	FACE VALUE OR ORIGINAL COST	UNAMORTIZED PREMIUM (DISCOUNT)	AMORTIZED COST	MARKET VALUE
Special Revenue				
Current Investments				
State Building Authority........................	$ 81.4	$ -	$ 81.4	*
Other Special Revenue...........................	3.2	-	3.2	*
Total Current Investments......................	84.7	-	84.7	
Noncurrent Investments				
State Lottery Fund..............................	179.4	(102.7)	76.6	$ 75.8
State Building Authority........................	54.7	-	54.7	*
Total Noncurrent Investments....................	234.1	(102.7)	131.3	
Total Investments...............................	$318.8	$(102.7)	$216.0	
Debt Service				
Current Investments				
State Park Revenue Bond Fund....................	$ 4.7	$ (.1)	$ 4.5	$ 4.5
State Building Authority........................	24.1	-	24.1	*
Mackinac Bridge Authority.......................	3.1	-	3.1	*
Total Current Investments......................	31.9	(.1)	31.8	
Noncurrent Investments				
State Building Authority........................	53.5	-	53.5	*
Total Noncurrent Investments....................	53.5	-	53.5	
Total Investments...............................	$ 85.5	$ (.1)	$ 85.3	
Capital Projects				
Current Investments				
State Building Authority........................	$ 1.4	$ -	$ 1.4	*
Total Current Investments......................	1.4	-	1.4	
Noncurrent Investments				
State Building Authority........................	1.1	-	1.1	*
Total Noncurrent Investments....................	1.1	-	1.1	
Total Investments...............................	$ 2.6	$ -	$ 2.6	

Note 10 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

	FACE VALUE OR ORIGINAL COST	UNAMORTIZED PREMIUM (DISCOUNT)	AMORTIZED COST	MARKET VALUE
Enterprise				
Current Investments				
Michigan State Housing Development Authority......	$ 336.0	$ -	$ 336.0	*
Michigan State Hospital Finance Authority.........	95.0	-	95.0	*
Michigan Higher Education Student Loan Authority..	44.0	-	44.0	*
Michigan Higher Education Assistance Authority....	3.1	-	3.1	
Mackinac Island State Park Commission............	.4	-	.4	*
Total Current Investments......................	478.7	-	478.7	
Noncurrent Investments				
Michigan State Housing Development Authority......	340.9	(47.5)	293.3	$ 305.2
Michigan State Hospital Finance Authority.........	465.7	(1.1)	464.6	*
Michigan Higher Education Student Loan Authority..	6.8	-	6.8	*
Total Noncurrent Investments....................	813.6	(48.6)	764.9	
Total Investments..............................	$ 1,292.3	$ (48.6)	$ 1,243.7	
Pension Trust, Expendable Trust, and Agency				
Current Investments				
State Police Pension, Accident, and Disability Fund..............................	$ 6.2	$ -	$ 6.2	$ 6.2
State Employees' Retirement Fund..................	61.1	(.3)	60.7	60.9
Public School Employees' Retirement Fund..........	205.6	(1.2)	204.3	205.0
Probate Judges' Retirement Fund..................	.3	-	.3	.3
Judges' Retirement Fund..........................	1.7	-	1.6	1.6
Municipal Employees' Retirement Fund..............	70.7	(.3)	70.4	70.6
Miscellaneous Trust Accounts Fund................	19.7	(1.6)	18.0	19.1
Total Current Investments......................	365.4	(3.6)	361.8	363.9
Noncurrent Investments				
Legislative Retirement Fund......................	24.7	(1.3)	23.3	22.0
State Police Pension, Accident, and Disability Fund..............................	230.8	(5.8)	225.0	229.5
State Employees' Retirement Fund.............. ...	2,296.4	(81.9)	2,214.5	2,239.0
Public School Employees' Retirement Fund..........	7,811.8	(309.0)	7,502.8	7,562.4
Probate Judges' Retirement Fund..................	10.3	-	10.3	10.4
Judges' Retirement Fund..........................	62.2	(.6)	61.5	62.1
Municipal Employees' Retirement Fund..............	763.0	(16.3)	746.6	775.9
State Employees' Deferred Compensation Fund.......	363.4	-	363.4	386.0
Michigan State Accident Trust Fund...............	251.8	11.2	263.1	276.9
Other Trust and Agency Funds.....................	.7	-	.7	3.1
Total Noncurrent Investments....................	11,815.4	(403.8)	11,411.5	11,567.9
Total Investments..............................	$12,180.9	$ (407.5)	$11,773.4	$11,931.9
Total All Funds:				
Current Investments..............................	$ 962.4	$ (3.8)	$ 958.5	
Noncurrent Investments...........................	12,917.9	(555.3)	12,362.6	
Total Investments..............................	$13,880.3	$ (559.1)	$13,321.2	

*Market Value approximates cost.

For the most part, the State Treasurer has custody of State investments and generally the State is not invested in repurchase agreements. Certain State authorities, including the Hospital Finance Authority, State Building Authority, and Job Development Authority do invest in short-term repurchase agreements. These investments are explained in the notes to their statements.

NOTE 11 -- MORTGAGE NOTES AND LOANS RECEIVABLE

Mortgage notes and loans receivable (in millions) reported in the enterprise fund group consist of the following:

	Mortgages and Loans Receivable (Gross)	Unloaned Bond Proceeds	Unamortized Discount	Allowance for Possible Losses	Mortgages and Loans Receivable (Net)
Michigan State Housing Development Authority..........	$1,533.9	$ –	$ –	$ (15.0)	$1,518.9
Michigan State Hospital Finance Authority......................	1,463.4	(478.4)	(27.7)	–	957.2
Michigan Higher Education Student Loan Authority.........	174.2	–	–	–	174.2
Michigan Higher Education Assistance Authority...........	2.9	–	–	(2.3)	.5
Michigan Economic Development Authority.......	12.1	–	–	*	12.1
	$3,186.6	$ (478.4)	$ (27.7)	$ (17.3)	$2,663.1

*A provision for possible losses on loans receivable of the Michigan Economic Development Authority (MEDA) has not been provided. The MEDA's component unit financial statements were qualified by their auditors, "subject to" the effects of adjustments, if any, for possible losses.

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 1985 of $109.3 million. The Michigan State Hospital Finance Authority unloaned bond proceeds of $478.4 million are committed for either future loans or long-term debt requirements. The Michigan Economic Development Authority had loan commitments outstanding at September 30, 1985 of $39.5 million, which will be issued through the new Michigan Strategic Fund (see Note #28).

Mortgages are also held as investments by pension funds ($1.4 billion at book) and these are reflected in long-term investments.

NOTE 12 -- PROPERTY, PLANT, AND EQUIPMENT

Proprietary Funds

Classification: The following table summarizes, by major class of asset, the recorded costs of fixed assets included in proprietary funds, as of September 30, 1985 (in millions):

Classification	Enterprise Funds	Internal Service Funds
Land......................................	$ 7.1	$ –
Buildings and Equipment....................	29.5	64.8
Historical Objects.........................	.3	–
Construction in Progress...................	–	–
Total................................	37.0	64.8
Allowance for Depreciation.................	(12.7)	(27.1)
Net Property, Plant, and Equipment.........	$ 24.2	$ 37.7

Depreciation: Depreciation methods and useful life estimates used for buildings and equipment vary between the different funds and component units. The estimated service lives of the respective assets range from 5 to 60 years for buildings and 3 to 15 years for equipment. Several funds and component units in the proprietary and pension trust fund classes do not capitalize and depreciate their fixed assets if the assets are insignificant to their operations.

Note 12 continued on next page.

General Fixed Assets

Classification: The following table summarizes, by major class of asset, the recorded costs for the general fixed assets account group as of September 30, 1985 (in millions):

Classification	General Fixed Assets Account Group
Land	$ 170.7
Buildings	776.7
Equipment	313.8
Construction in Progress	70.3
Total General Fixed Assets	$1,331.7

Funding Source: The following summarizes the funding source of the investment in general fixed assets as of September 30, 1985 (in millions):

Fund	Investment
General Fund	$1,188.5
Special Revenue Funds:	
Transportation Related	94.5
Conservation and Recreation Related	13.2
Regulatory and Administrative Related	31.4
Mackinac Bridge Authority	1.0
Capital Projects Funds	2.8
Total Investment in General Fixed Assets	$1,331.7

Changes: Changes in the general fixed assets account group are not available this year because data as of September 30, 1984 is not available. This disclosure will be provided in future years' statements.

Construction in Progress: The following summarizes the major types of projects included in construction in progress as of September 30, 1985 (in millions):

Type of Project	Estimated Cost	Fiscal Year 1984-85 Authorized	Fiscal Year 1984-85 Expended
Correctional facilities:			
Regional prisons	$256.5	$ 25.8	$ 23.1
Other	168.4	69.6	33.8
Other projects	82.5	41.6	13.4
Totals	$507.4	$137.0	$ 70.3

In addition to the projects noted above, the State has planned other construction projects which were unfunded as of September 30, 1985. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

NOTE 13 -- PENSION BENEFITS

The State of Michigan makes employer contributions to the following pension plans, each of which is accounted for in a separate fund:

Legislative Retirement System (LRS)
State Police Pension, Accident, and Disability Fund (SPPADF)
State Employees' Retirement System (SERS)
Public School Employees' Retirement System (PSERS)
Probate Judges' Retirement System (PJRS)
Judges' Retirement System (JRS)

The Municipal Employees' Retirement System, a pension plan for employees of local governments in Michigan, is presented in the Expendable Trust Fund type. The State's function is administrative in nature, covering the receipt of municipal contributions and the payment of benefits. The State makes no contributions to the plan and has no legal or moral responsibility for funding current or future benefits.

Note 13 continued on next page.

DESCRIPTION OF PLANS

Legislative Retirement System - Plan membership - This statewide plan covers substantially all State legislators, with current active membership at 141. Approximately 161 retirants and beneficiaries are currently receiving benefits, with an additional 37 terminated members having vested deferred benefits. Plan benefits - Members may retire at age 55 with 8 or more years of credited service, or at 55 with specified combinations of full or partial terms of office. Deferred allowance can be vested after 8 years of credited service, with benefits beginning at age 55. The plan has provisions for disability allowances and death in service payments to beneficiaries. Post-retirement medical benefits - Retirants, survivors and deferred vested members are provided paid dental, vision, hearing, hospital and medical coverage. The benefits are funded on the pay-as-you-go basis, with the 1984-85 expense being $.5 million. Funding requirements - Members are required to contribute 7% of current compensation. The State's participation is based upon the level-percent-of-payroll method and is provided by the General Fund.

State Police Pension, Accident, and Disability Fund - Plan membership - The system covers members of the Michigan State Police, with current active membership at 2,056. Approximately 980 retirees and beneficiaries are receiving benefits, with an additional 61 terminated members who have vested deferred benefits. Plan benefits - Members may retire with 25 years of service. Deferred benefits are vested after 10 years of service, with benefits beginning at age 50. The plan also provides for duty and non-duty disability retirement, as well as death benefits to beneficiaries. Post-retirement medical benefits - Health insurance coverage is provided for retirees at State expense on the pay-as-you-go basis, amounting to $2.2 million during 1984-85. Funding requirements - The system is non-contributory, with the State's contribution being determined based upon the level-percent-of-payroll method, coming from the General Fund.

State Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all State employees who are not covered by other systems, with approximately 59,800 members. Plan benefits - A member may retire after attaining age 55 with 30 or more years of credited service, or after attaining age 60 with 10 or more years of credited service. Members eligible for supplemental benefits may retire at age 51 with 25 or more years of service, or at age 56 with 10 or more years of service. A member may retire early with a reduced retirement allowance after attaining age 55 with 15 or more years of credited service. The plan also has provisions for a vested deferred allowance after 10 years of service, as well as duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees have the option of continuing hospitalization and major medical coverage. The retiree pays 10% of health insurance premiums and the State pays 90% on a pay-as-you-go basis through annual appropriations until age 65 when Medicare takes over and the State pays 100% of the remaining cost. The employer's expense for this purpose in 1984-85 was $32.3 million. The employer also pays for life insurance of each retiree, spouse and dependents. Funding requirements - The system became non-contributory in 1974. The State's contribution is determined based upon the level-percentage-of-payroll method. The majority of the plan's contributions are provided by the General and Special Revenue Funds.

Public School Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all public education employees except those at six institutions of higher education and some employees of other institutions of higher education who elect coverage by another retirement program. Approximately 276,400 teaching and non-teaching employees are members of the system. Plan benefits - A member may retire after attaining age 55 with 30 or more years of service, or at age 60 with 10 or more years of service. An early retirement with reduced benefits is available at age 55 with 15 or more years of service. The plan provides for a deferred allowance with vesting after 10 years, duty and non-duty disability and death-in-service provisions. Post-retirement medical benefits - Retirees may continue hospitalization and major medical coverage. Retirees pay 10% of the health premium until medicare coverages begins at age 65. The State funds the remaining cost on the pay-as-you-go basis, with the expense for 1984-85 being $ 46.3 million The State also pays for life insurance on the retirees, spouses and dependents. Funding requirements - The system became non-contributory in 1974. The State's contribution is determined using the level-percent-of-payroll method. The majority of the plan's contributions are provided by the School Aid Fund and the local school district employers.

P.A. 91 of 1985 provides for several changes in the PSERS beginning in January 1986. It provides for an "early retirement" plan, annual funding of projected health benefits, voluntary member contributions beginning in 1987, and changes in the amortization period of unfunded accrued liabilities.

Probate Judges' Retirement System and Judges' Retirement System - Plan membership - Both are statewide plans which cover substantially all judges and probate judges in Michigan's judicial branch of government. The Probate Judges' Retirement System (PJRS) became "closed" on 1/1/83 with probate judges taking office after that date becoming members of the Judges' Retirement System (JRS). The PJRS also includes the Governor, Lieutenant Governor, Secretary of State, Attorney General (all elected),

Note 13 continued on next page.

Legislative Auditor General, and the Court Administrator. There are 500 active members in the JRS and 72 in the PJRS. Plan benefits - A member of either system may retire after attaining age 60 with 8 or more years of credited service, or at age 55 with 18 or more years of service. Members of the JRS must have continuous service the last 6 years to retire at 55. Additionally, members of the JRS may retire at any age if credited with 25 years of service, six of which are continuous up to retirement. Both plans provide for deferred retirement with vesting after 8 years of credited service, as well as disability and death-in-service provisions. Post retirement medical benefits - Non-trial court judges and participating elected officials may choose to have hospitalization and major medical coverage continued, paying 10% of health insurance premiums until medicare coverage begins at age 65. The State's 90% funding of health insurance on the pay-as-you-go basis was a nominal amount because most judges participate in local unit plans. The State also provides for life insurance coverage for the retiree, spouse and children. Funding requirements - members of the JRS contribute between 3 1/2% - 7% of salary. Non-trial judges and elected state officials contribute 5% of salary. Members of the PJRS contribute 3% of salary to $980 or 7% of salary. The State's employer contribution under both plans is based upon the level-percent-of-payroll method and is funded by the General Fund.

ACTUARIAL COST METHODS AND ASSUMPTIONS

Cost Methods - The LRS uses the "attained age" actuarial cost method. All other systems use the "entry age" method which allocates a higher percent of the total cost to past service cost ("unfunded actuarial accrued liabilities") and a lower percent to current service costs ("normal cost") than does the "attained age" method. In determining required contributions, the actuaries included amounts to amortize the unfunded actuarial accrued liabilities over the following periods: LRS - 16 years; SPPADF, PJRS & JRS - 40 years; SERS - 50 years. The PSERS statute requires a contribution which equals at least the "unfunded portion of the pension payout" which was equivalent to a 16 year amortization in 1984-85.

The following assumptions were used in the actuarial valuations:

System	Rate of return - Investment of Current and Future Assets	Projected Salary Increases		
		Merit	Seniority	Inflation
	% Compounded Annually	%	%	%
LRS	6.0%	(Combined .5)		4.0
SPPADF	8.5	(Combined 7.0%)		
SERS	8.0	(Combined 0.2-5.8)		6.5
PSERS	8.0	(Combined 0.1-3.5)		6.5
PJRS & JRS	8.0	(Combined 0.5)		6.5

The statutes governing the SERS and the PSERS provide for an additional distribution to retirees and retirement allowance beneficiaries on record at the end of each fiscal year if the earning on plan assets exceed a computed standard. The amount of such liability in each fund is determined by multiplying the present value of allowances and benefits to be paid after the previous fiscal year-end times the current year's earnings on assets that exceed an 8% return. The September 30, 1985 liability in the SERS is $7.6 million and in the PSERS is $12.4 million.

Pre- and post-retirement life expectancies of participants in all systems are based upon the 1971 Group Annuity Mortality Table. Also considered in the valuations were the rates of non-death withdrawal from active service before retirement, rates of disability, and expected retirement ages.

Date of actuarial valuation - All valuations are as of 9/30/85.

Significant changes affecting comparability with the prior year. - There were no material changes in actuarial assumptions or benefit provisions in any of the pension plans during 1984-85.

Note 13 continued on next page.

Legal Funding Requirement Determinations and Contributions Actually Made - The actuarially computed contribution required to fund normal costs and to amortize unfunded liabilities are shown compared to the actual funding provided (amounts in millions):

	Employer Contribution - Required			Employer Contribution - Actual	
System	Active Member Payroll	%	Amount	%	Amount
LRS	$ 4.9	35.97%	$ 1.7	38.31%	$ 1.9
SPPADF	69.4	27.96	19.4	27.96	19.4
SERS	1,516.0	9.81	148.7	10.75	163.0
PSERS	4,220.3	11.62	490.4	11.53	486.4
PJRS	4.2	15.22	.6	18.18	.8
JRS	25.6	18.10	4.6	17.13	4.4

Except for the LRS, the statutes provide for an annual reconciliation process to ensure that contributions to the retirement funds are in accordance with the actuarially computed contributions. Contribution shortfalls or overages in a given fiscal year will be corrected by special contribution rate adjustments in the second succeeding fiscal year.

All actual contributions substantially met or exceeded the required GAAP minimum contribution as calculated under Accounting Principles Board Opinion #8.

Summary of Significant Accounting Policies - Market Value of Investments - Note #10 provides disclosure of market value of investments. Other investment information - No investment in any of the pension plans comprises 5% or more of the net assets available for benefits. No investments are made in securities issued by the State, nor are there loans made from the pension plan to the State.

ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

The following table shows the actuarially calculated present value of projected benefits payable to current retirees and beneficiaries, terminated vested participants, and for active participants (in millions):

	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Legislative Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 21.6	413%	$ 18.9	401%
Terminated vested participants	4.9	93	5.6	118
Total	$ 26.5	506%	$ 24.5	519%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 1.8	35%	$ 1.8	38%
Employer financed portion	12.8	244	11.3	240
Total	$ 14.6	279%	$ 13.1	278%
Total actuarial present value of credited projected benefits	$ 41.2	785%	$ 37.6	797%
Net Assets (At Cost) Available for Benefits	$ 39.2		$ 35.0	
Valuation asset adjustment	-		-	
Valuation Assets	$ 39.2		$ 35.0	
Unfunded actuarial present value of credited projected benefits	$ 2.0		$ 2.6	

Note 13 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

(Dollar amounts are in millions)	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
State Police Pension, Accident, and Disability Fund				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries..............	$ 106.2	153%	$ 100.7	154%
Terminated vested participants..................	2.2	3	2.0	3
Total..	$ 108.4	156%	$ 102.7	157%
Actuarial present value of credited projected benefits for active participants:				
Member contributions............................	$ 5.2	7%	$ 5.2	8%
Employer financed portion.......................	226.1	326	205.7	315
Total..	$ 231.3	333%	$ 210.9	323%
Total actuarial present value of credited projected benefits..............................	$ 339.7	489%	$ 313.6	480%
Net Assets (At Cost) Available for Benefits........	$ 241.2		$ 212.2	
Valuation asset adjustment......................	-		-	
Valuation Assets..................................	$ 241.2		$ 212.2	
Unfunded actuarial present value of credited projected benefits......................	$ 98.5		$ 101.4	

(Dollar amounts are in millions)	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
State Employees' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries..............	$ 947.3	61%	$ 790.9	55%
Terminated vested participants..................	16.6	1	16.7	1
Total..	$ 963.9	62%	$ 807.6	56%
Actuarial present value of credited projected benefits for active participants:				
Member contributions............................	$ 95.2	6%	$ 107.4	7%
Employer financed portion.......................	1,421.7	91	1,280.8	88
Total..	$1,517.0	97%	$1,388.2	95%
Total actuarial present value of credited projected benefits..............................	$2,480.8	159%	$2,195.8	151%
Net Assets (At Cost) Available for Benefits........	$2,349.5		$2,068.8	
Valuation asset adjustment......................	(109.1)		(81.8)	
Valuation Assets..................................	$2,240.4		$1,987.0	
Unfunded actuarial present value of credited projected benefits......................	$ 240.5		$ 208.8	

Note 13 continued on next page.

(Dollar amounts are in millions)	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Public School Employees' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$2,630.5	63%	$2,396.5	60%
Terminated vested participants	131.8	3	100.8	3
Total	$2,762.4	66%	$2,497.3	63%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 686.2	16%	$ 682.4	17%
Employer financed portion	5,236.9	124	4,800.8	121
Total	$5,923.1	140%	$5,483.2	138%
Total actuarial present value of credited projected benefits	$8,685.5	206%	$7,980.5	201%
Net Assets (At Cost) Available for Benefits	$7,908.1		$7,033.7	
Valuation asset adjustment	(348.9)		(260.2)	
Valuation Assets	$7,559.3		$6,773.5	
Unfunded actuarial present value of credited projected benefits	$1,126.2		$1,207.0	

(Dollars are in millions)	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Probate Judges' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 6.7	159%	$ 6.1	144%
Terminated vested participants	.3	8	.3	7
Total	$ 7.0	167%	$ 6.4	151%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 1.3	30%	$ 1.2	29%
Employer financed portion	7.9	188	7.4	175
Total	$ 9.2	218%	$ 8.7	204%
Total actuarial present value of credited projected benefits	$ 16.3	385%	$ 15.1	355%
Net Assets (At Cost) Available for Benefits	$ 11.8		$ 10.6	
Valuation asset adjustment	(.3)		(.2)	
Valuation Assets	$ 11.4		$ 10.4	
Unfunded actuarial present value of credited projected benefits	$ 4.9		$ 4.6	

Note 13 continued on next page.

(Dollars are in millions)	September 30, 1985		September 30, 1984	
	Dollar Amount	% of Annual Active Member Payroll	Dollar Amount	% of Annual Active Member Payroll
Judges' Retirement System				
Actuarial present value of projected benefits payable to:				
Current retirants and beneficiaries	$ 33.9	129%	$ 26.3	106%
Terminated vested participants	1.4	5	1.6	7
Total	$ 35.3	134%	$ 27.9	113%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	$ 9.6	36%	$ 8.7	35%
Employer financed portion	40.7	155	40.4	164
Total	$ 50.3	191%	$ 49.0	199%
Total actuarial present value of credited projected benefits	$ 85.6	325%	$ 76.9	312%
Net Assets (At Cost) Available for Benefits	$ 64.2		$ 56.5	
Valuation asset adjustment	(1.9)		(1.2)	
Valuation Assets	$ 62.3		$ 55.2	
Unfunded actuarial present value of credited projected benefits	$ 23.3		$ 21.7	

NOTE 14 -- EARLY RETIREMENT PLAN

PA. 3 of 1984 provided for an early retirement incentive program that was available to approximately 3,800 eligible employees from June 2 through September 30, 1984 and 1,964 employees retired under the program. In addition to the basic monthly retirement benefits for which the "80 and out" retirees were eligible, they receive a monthly pension supplement ranging from $240 to $360 until age 62. Accumulated sick leave balances, which are normally paid in a lump sum at retirement, are being spread in equal installments over 60 months.

Payments to early retirees are made through the State Employees' Retirement Fund. The fund is, in turn, reimbursed by the General, State Trunkline, and Michigan Employment Security Act-Administration funds for supplemental benefit and sick leave payments and the retirees' basic benefits through age 60. The departments provided funding from available appropriations for replacement of retirees and payment of basic retirement and supplemental benefits for fiscal years 1983-84 and 1984-85. Unused authorizations from 1983-84 were carried forward in special fund balance reserves. Beginning with the 1985-86 fiscal year, increased pension fund funding rates charged to departments will fund the remainder of the program. Expenditures in 1984-85 amounted to $25.4 million.

The effect this plan had on actuarial pension liabilities has not been estimated. However, because basic retirement benefits through age 60 will be paid by other funds, some unknown amount of actuarial gain (from the Pension Fund's perspective) likely occurred.

The present value of future benefits to be paid under this plan, including basic benefits through age 60, is recorded in the State's General Long-term Obligations Account Group using a discount rate of 8%. Fund expenditures are recognized as payments become due.

The following payments are required by fiscal year (in thousands):

	Gross Liability	Present Value
1985-86	$23,007	$22,122
1986-87	20,021	17,799
1987-88	17,176	14,118
1988-89	13,669	10,388
1989-90	8,737	6,139
1990-1997	14,215	8,577
Total	$96,829	$79,144

NOTE 15 -- COMPENSATED ABSENCES

Plan Descriptions:
Employees receive a 100% termination payment of unused annual leave (vacation time) upon separation based upon the employee's final rate of pay. The maximum amount of leave that employees can accumulate varies with seniority, generally ranging between 240 and 300 hours.

Termination payments for accumulated sick leave balances are made only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours. There is no restriction on the amount of sick leave that can be accumulated.

Accounting Policy:
The State has accrued liabilities for compensated absences as required by NCGA Statement 4. Annual leave is valued at 100% of the unused balance and sick leave is valued at 0 to 50%, depending on each employee's date of hire, leave balance, and age. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are recorded in the General Long-Term Obligations Account Group, unless the liability is "due and payable" at year-end (i.e., liabilities are recognized in the year the employee leaves State service). The amount "due and payable," is included in the "Accounts payable and other liabilities" line.

The following table summarizes the recording of compensated absences liabilities as of September 30, 1985 (in millions):

FUND GROUP	ANNUAL	SICK	TOTAL
Enterprise	$ 1.8	$ 2.8	$ 4.6
Internal Service	.8	1.0	1.8
General Long-Term Obligations	124.1	148.9	273.0
	$ 126.7	$ 152.7	$ 279.4

NOTE 16 -- GENERAL LONG-TERM OBLIGATIONS

A. Bonded Debt

General Obligation Debt

Article 9, Section 15 of the 1963 State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval, for the purpose of providing loans to school districts. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues except School Loan Bonds, where only the excess of requirements over loan repayments is provided. General obligation bonds are backed by the full faith and credit of the State.

Revenue Dedicated Debt

Oversight Entity - Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State's general credit does not support such issues.

State Authorities - Governmental - Revenue bonds have been issued by certain of the governmental authorities for construction of the Mackinac Bridge and to acquire and/or construct various facilities for use by the State or institutions of higher education. These bonds are obligations of the authorities and do not constitute direct general obligations of the State. The debt requirements of the Mackinac Bridge Authority (MBA) bonds are financed through authority revenues and an annual transfer from the Michigan Transportation Fund. The debt requirements of the State Building Authority bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Note #19 provides disclosures regarding the long-term debts of the enterprise funds, all of which are revenue dedicated.

Note 16 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

General Obligation and Revenue Dedicated Bonds issued and outstanding at September 30, 1985 (expressed in millions) are as follows:

			MATURITIES		AVERAGE INTEREST RATE PERCENTAGE
GENERAL OBLIGATION DEBT	AMOUNTS ISSUED	OUTSTANDING 9/30/85	FIRST YEAR	LAST YEAR	
School Loan Bonds:					
Series I-III	$ 97.5	$ 3.0	1973	1985	4.77
Series IV	20.0	9.7	1980	1989	4.60
Series V	14.0	14.0	1986	1989	9.83
Water Pollution:					
Series II	15.0	5.0	1980	1990	5.99
Series III	50.0	30.0	1979	1999	4.43
Series IV	80.0	28.0	1973	1999	4.34
Series V	7.0	7.0	1986	1988	4.07
Series VI	70.0	22.0	1974	1998	4.56
Series VII	50.0	19.0	1975	1993	4.34
Series VIII	33.0	33.0	1987	1994	9.15
Public Recreation:					
Series III	33.0	2.0	1974	1986	4.07
Series V	11.0	4.0	1979	1989	4.60
Vietnam Veteran Bonus Series I-III	190.0	65.0	1976	1989	5.23
TOTAL GENERAL OBLIGATION DEBT	670.5	241.7			
REVENUE DEDICATED DEBT					
Oversight Entity:					
State Park Revenue Bonds Series I-VIII	19.1	10.0	1963	1996	5.78
Tax Dedicated Bonds:					
Michigan Trunkline Construction Series V-IX	255.0	15.1	1961	1987	3.79
Michigan Comprehensive Transportation:					
Series A	106.2	97.8	1980	2009	8.09
Series 1984	60.0	59.5	1985	2014	9.62
Series 1985 (Series B refunding)	57.8	57.5	1985	2011	8.53
State Trunkline Fund Bonds:					
Series 1983	135.0	130.0	1985	1999	9.65
Series 1984	50.0	48.2	1985	1999	9.53
TOTAL REVENUE DEDICATED DEBT - OVERSIGHT	683.1	418.4			
State Financing Authorities - Governmental Types:					
State Building Authority:					
1979 Revenue Bonds - Series I	89.4	77.3	1982	1999	6.36
1982 Revenue Bonds - Series I	101.4	95.9	1983	2002	12.24
1982 Revenue Bonds - Series II	21.0	19.1	1983	1995	8.46
1982 Revenue Bonds - Series III	237.9	237.9	1987	2012	10.71
1984 Revenue Bonds - Series I	104.9	104.9	1987	2001	9.38
1985 Revenue Bonds - Series I	4.3	4.3	1986	1996	8.05*
	559.1	539.5			
Mackinac Bridge Authority (MBA) as of June 30 - Revenue Bonds Series B	20.0	4.9	1994	1994	5.25
TOTAL REVENUE DEDICATED DEBT - STATE FINANCING AUTHORITIES - GOVERNMENTAL	579.1	544.4			
TOTAL REVENUE DEDICATED DEBT	1,262.2	962.8			
GRAND TOTAL	$1,932.7	$1,204.5			

*The interest rate for the 1985 Revenue Bonds is a variable rate calculated as 85 percent of "Bond Buyer Index for 11 General Obligation Bonds" set each December 15 and June 15 for the succeeding six-month periods January 1 to June 30 and July 1 to December 31, respectively. At September 30, 1985, the effective interest rate is 8.05%.

Note 16 continued on next page.

During fiscal year 1984-85, the Michigan Department of Transportation completed an advance refunding transaction related to the Comprehensive Transportation Bonds Series B, dated May 1, 1981. A portion of the proceeds of the refunding bond issue was placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt, of which $47.6 million was outstanding at September 30, 1985. These assets are administered by the trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the State defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

The following tables summarize debt service requirements for outstanding bonds (in millions):

	OVERSIGHT ENTITY				
	GENERAL OBLIGATION		REVENUE DEDICATED		
FISCAL YEARS ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL PRINCIPAL AND INTEREST
1986	$ 51.2	$ 12.9	$ 21.7	$ 35.2	$ 121.0
1987	40.3	10.4	19.1	33.9	103.8
1988	28.5	7.9	13.9	32.9	83.3
1989	25.7	6.1	15.1	31.8	78.8
1990	18.0	4.6	16.0	30.6	69.2
1991-2014	78.0	11.7	332.5	334.4	756.6
Total	$241.7	$ 53.8	$418.4	$499.0	$1,213.0

	GOVERNMENTAL TYPE FINANCING AUTHORITIES		
	MACKINAC BRIDGE AUTHORITY	STATE BUILDING AUTHORITY	
FISCAL YEARS ENDING	PRINCIPAL	PRINCIPAL	TOTAL PRINCIPAL
1986	$ 4.9	$ 7.9	$ 12.8
1987	-	9.2	9.2
1988	-	15.2	15.2
1989	-	18.4	18.4
1990	-	19.9	19.9
1991-2012	-	468.6	468.6
TOTAL	$ 4.9	$539.5	$544.4

Interest is not presented in the table above because the bonds of these authorities are callable and it is expected that most will be called prior to the final scheduled maturity date. Therefore, including interest would overstate expected requirements. The bonds of the Mackinac Bridge Authority, which are scheduled to mature in 1994, are expected to be called in 1985-86. The retirement of the State Building Authority bonds will vary from project to project, as each bond issue is related to a specific project. In addition, some of the bonds of the State Building Authority carry variable interest rates.

B. Other General Long-term Obligations

Capital Leases - Capitalized lease liabilities, which are recorded this year for the first time, are described in more detail in Note #17. The leases are attributable to operations of the General Fund and two special revenue funds (the State Trunkline Fund and Michigan Employment Security Act - Administration Fund).

Unemployment Compensation Borrowing Interest Liability and Compensated Absences - Details regarding these are provided in Note #18 and #15, respectively.

Note 16 continued on next page.

Judgments - In 1976 the United States Supreme Court directed that the Detroit Board of Education institute various comprehensive programs with the cost to be shared equally with the State. The State's financial responsibility will terminate in the 1987-88 fiscal year. The State's cumulative share of the specified costs, after September 30, 1985, totals $12.8 million, with annual payments of $4.5 million in fiscal year 1985-86 and $4.0 million in fiscal year 1987-88. Additional amounts for a monitoring commission, attorney fees, and an inflationary adjustment factor may arise annually through fiscal year 1987-88, but these should be nominal in amount.

Workers' Compensation - The State does not purchase workers' disability compensation insurance coverage for State employees. Rather, the State is billed by the State Accident Fund for actual benefits paid plus an administrative charge. Charges for fiscal year 1[illegible]-85 amounted to $19.7 million. The State Accident Fund estimates that future payments on reported claims will total $66.2 million. The general long-term obligations account group includes a liability of $50.0 million as the estimated present value of these claims. None of the long-term liability has been allocated to the proprietary fund types because fund allocation is not considered measurable and the unrecorded amounts are not significant to the individual funds. Incurred but unreported claims have not been recorded as liabilities because they cannot be reasonably estimated.

Early Retirement Benefits - The State's early retirement program is described in Note #14.

Unrecorded Limited Obligation Debt - The Michigan Job Development Authority (MJDA) issued limited obligation bonds to finance loans to business enterprises in Michigan. (As discussed in Note #28, the MJDA was eliminated and its activities will be taken over by new Strategic Investment Fund, beginning October 1, 1985.) The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligations bonds to finance loans to public or private institutions of higher education within the State of Michigan for capital improvements. A separate bond issue is made for each loan. The authorities are liable for the repayment of the bonds only from loan repayments received or any secured interest in the facilities, equipment, or furnishings, as provided under the various loan agreements. All loan repayments are made directly to the bondholders' trustees by the companies or colleges.

Because of the limited liability of the authorities, bonds in the amount of $581.6 million and $9.0 million of the MJDA and MHEFA, respectively, have not been included in the General Long-Term Obligations account group as of September 30, 1985. Comparable amounts as of September 30, 1984 were $314.7 million and $9.6 million for the MJDA and MHEFA, respectively.

The Michigan Family Farm Development Authority (MFFDA) issues bonds under provisions similar to those described for the MJDA and the MHEFA. At September 30, 1985, bonds had been issued by the MFFDA totaling $4.9 million, of which $4.7 million was outstanding. At September 30, 1984, the comparable amounts were $3.3 million issued and $3.2 million outstanding.

C. Changes in General Long-term Obligations

Changes in general long-term obligations (in millions) for the year ended September 30, 1985 are summarized as follows:

	GENERAL OBLIGATION DEBT	REVENUE DEDICATED DEBT - OVERSIGHT ENTITY	REVENUE DEDICATED DEBT - STATE AUTHORITIES GOVERNMENTAL	CAPITAL LEASE OBLIGATIONS
Bonds and Capital Lease Obligations:				
Balance - Beginning (restated for capital leases)	$259.3	$387.4	$552.2	$ 47.8
New bond issues/capital lease additions	33.0	57.8	4.3	25.0
Bond principal retirements/capital lease payments	(50.6)	(26.8)	(12.0)	(11.7)
Balance - Ending	$241.7	$418.4	$544.4	$ 61.1

Note 16 continued on next page.

	UNEMPLOYMENT COMPENSATION DEFERRED INTEREST	COMPENSATION LIABILITIES	JUDGMENTS	WORKERS' COMPENSATION	EARLY RETIREMENT BENEFITS
Other obligations:					
Balance - Beginning.........	$ 80.1	$266.8	$ 17.7	$ 40.9	$ 97.5
Net increase (decrease) in estimated liabilities	11.5	6.2	-	9.1	(18.4)
Elimination of portion of judgment attributed to fiscal year 1984-85..	-	-	(4.9)	-	-
Payments on deferred interest................	(25.5)	-	-	-	-
Balance - Ending.......	$ 66.1	$273.0	$ 12.8	$ 50.0	$ 79.1

NOTE 17 -- LEASES

The State leases land, office facilities, office and computer equipment, and other assets under noncancelable leasing arrangements. Most leases have cancellation clauses with 1-6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases which are in the nature of acquisitions are classified as "capital" leases so that assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases and these are treated as rent commitments rather than as acquisitions.

A summary of the noncancelable operating and capital leasing commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1986	$25.8	$13.9	$ 5.4	$19.4
1987	20.4	13.9	4.0	17.9
1988	15.7	11.3	2.6	13.9
1989	11.2	7.7	1.7	9.4
1990	7.6	2.0	1.2	3.2
1991-1995	9.3	4.5	4.5	9.0
1996-2000	.3	4.0	2.7	6.7
2001-2005	.2	3.5	.5	4.1
Total	$90.9	$61.1	$22.8	$84.0

All of the above capital leases are related to governmental fund operations and the total $61.1 million of capital lease principal is recorded as part of the general long-term obligations account group.

The historical cost of assets acquired under capital leases included in the general fixed assets account group at September 30, 1985 follows (in millions):

Buildings...............	$28.7
Equipment...............	61.7
Total................	$90.4

NOTE 18 -- UNEMPLOYMENT COMPENSATION DEBT

As of September 30, 1984, the Michigan Unemployment Compensation Fund (MUCF), which is not included in these statements, had a liability to the federal government of $1.7 billion for amounts borrowed to pay unemployment compensation. Of this amount $237.2 million was interest bearing. As of September 30, 1985, the debt had been reduced to $1.3 billion none of which is interest bearing. The debt principal is being repaid to the federal government using regular unemployment tax receipts. These revenues and principal repayments are recorded in the MUCF.

Note 18 continued on next page.

The liability above does not include deferred interest totaling $66.1 million which is recorded in the general long-term obligations account group. Normally, the State does not recognize liabilities for accrued interest on debt until it becomes "due and payable," however, this liability was recorded because of its unusual nature and size. The federal government has allowed the State to defer payments on this liability, according to the following schedule (in millions):

Due Date	Amount
9/30/86	$25.5
9/30/87	25.5
9/30/88	12.7
9/30/89	2.3
	$66.1

A special tax surcharge, known as the solvency tax, has been imposed on certain employers in the State of Michigan for the purpose of payment of the interest and to help fund a major payment automation project. The solvency tax collections are deposited into the Michigan Employment Security Act Contingency Fund, an expendable trust fund reported on in these financial statements. The State remains liable for interest payments, in the event that the trust fund's assets are insufficient.

The fiscal year-end balances (in millions) in the contingency fund were: taxes receivable $33.6; cash and other assets $49.8; deferred revenues $30.6; fund balance $50.8. The deferred revenues resulted from employers electing to spread their incurred tax liability over a period of four years, with equal installments due in April of each year. Employers were provided this option by Public Act 247 of 1983.

NOTE 19 -- BONDS AND NOTES PAYABLE, ENTERPRISE FUND GROUP

All of the bonds and notes payable in the enterprise fund group are legal obligations of component units and they are not general obligations of the State. The following table summarizes bonds (net of discounts) and notes payable by component unit (in millions):

	MSHFA	MHESLA	MISPC	MEDA	MSHDA	TOTAL
Notes Payable...	$ -	$ 112.9	$ -	$ -	$ 29.0	$ 141.9
Bonds Payable...	1,463.4	80.0	.4	28.5	1,880.2	3,452.7
Total.......	$1,463.4	$ 192.9	$ .4	$ 28.5	$1,909.2	$3,594.6

The following briefly describes these debts, which are more fully explained in each unit's separately issued financial statements:

Michigan State Hospital Finance Authority (MSHFA) - The bonds of this authority are limited obligation bonds which carry interest rates ranging from 5.74% to 15.89%. The bonds are repayable solely from loan repayments, investment earnings, and retained bond proceeds. The following table summarizes the debt service requirements of this authority as of its year-end of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1985-86..............................	$ 37.5	$ 134.8	$ 172.3
1986-87..............................	42.9	131.2	174.2
1987-88..............................	43.9	127.3	171.2
1988-89..............................	36.7	123.9	160.7
1989-90..............................	31.3	120.8	152.2
Total five years.....................	192.6	$ 638.2	$ 830.9
Five years ending June 30, 1995.......	188.6		
Ten years ending June 30:			
2005..............................	286.1		
2015..............................	652.4		
Year ending June 30, 2016.............	172.2		
	1,492.2		
Less unamortized discount............	(28.7)		
	$1,463.4		

Note 19 continued on next page.

The MSHFA issued additional bonds totalling $667.9 million between its year-end of June 30, 1985 and February 21, 1986.

Michigan Higher Education Student Loan Authority (MHESLA) - As of September 30, 1985, the debts of this authority included: revenue bonds of $80.0 million, which carried stated interest rates of 7.75% to 8.25%; collateralized promissory notes of $63.0 million, which carry variable interest rates, with interest paid quarterly and principal due no later than July 2000; and $50.0 million of revenue notes, whose interest rates ranged from 9.5% to 9.75% and which mature May 1, 1986.

Subsequent to year-end, the MHESLA defeased $55.0 million of the bonds and the $50.0 million in notes. This defeasance was largely financed by $64.8 million of additional promissory notes. The $25.0 million of bonds which remain outstanding mature in 1988-89.

Not included in bonds payable, as of September 30, 1985, are $65.0 million of bonds which mature on November 1, 1985 and which were defeased during 1984-85. This defeasance was largely financed by the $63.0 million of promissory notes payable.

Mackinac Island State Park Commission (MISPC) - The commission's bonds are revenue bonds which carry an average interest rate of 13.61%. Annual principal and interest maturities for the next five years range from $86.1 thousand for 1985-86 to $71.2 thousand in 1989-90; debt service requirements after 1989-90 total $530.7 thousand, with the final payments due in 1997.

Michigan Economic Development Authority (MEDA) - The bonds of this authority are limited obligation revenue bonds, which carry an average interest rate of 11.5%. The bonds are repayable solely from loan repayments, investment earnings, and distributions of the former Michigan Heritage Trust Fund (see Note #28 which describes entity changes for both MEDA and the Heritage Fund). The following table summarizes the principal and interest requirements on these bonds (in millions):

Fiscal Year	Principal	Interest	Total
1985-86	$ 3.9	$ 3.2	$ 7.2
1986-87	3.0	2.8	5.9
1987-88	2.5	2.4	5.0
1988-89	2.1	2.1	4.3
1989-90	1.9	1.9	3.9
1990-1994	14.8	5.4	20.2
Total	$28.5	$18.1	$46.7

Michigan State Housing Development Authority (MSHDA) - The bonds of this authority are revenue bonds which carry effective interest rates ranging from 5.74% to 13.99%. The following table summarizes principal interest requirements for the next five years as of MSHDA's fiscal year-ends of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1985-86	$ 31.1	$ 95.0	$ 126.1
1986-87	43.1	93.2	136.4
1987-88	45.4	91.5	137.0
1988-89	48.0	89.8	137.9
1989-90	50.5	87.9	138.4
Total five years	218.4	$ 457.6	$ 676.0
1990-2023	1,661.8		
Total principal	$1,880.2		

Because many of the bonds are expected to be called prior to maturity, interest is not presented for beyond five years.

NOTE 20 -- DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The State (employer) does not make any contributions to the fund. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund, an expendable trust fund, which is administered by the Department of Civil Service. Employee contributions, which are made by payroll deduction, are recognized as revenue of the fund. Expenditures are recognized as benefits are paid. The fund is primarily invested in guaranteed investment contracts with insurance companies which are valued at cost. Short-term investments are held in the common cash pool. Investment earnings, net of administration charges, are credited quarterly to the various participants based upon their average daily balances in the plan. The fund balance of the plan represents net assets available for plan benefits.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The following is a summary of the fund's accounts (in thousands):

	1984-85	1983-84
Fund balance - beginning	$289,903	$223,011
Member contributions	56,713	48,604
Interest and other income	41,551	31,639
Benefits paid	(18,902)	13,120
Administrative Costs	(263)	(231)
Fund balance - ending	$369,002	$289,903

NOTE 21 -- INTERFUND RECEIVABLES AND PAYABLES

Significant current interfund receivables and payables are listed by individual fund. Others are shown in total for the fund type. On the balance sheet these balances are presented as "amounts due from other funds" and "amounts due to other funds."

GOVERNMENTAL FUND TYPES	INTERFUND RECEIVABLES (In Thousands)	INTERFUND PAYABLES (In Thousands)
General Fund	$ 1,431	$53,874
Special Revenue Funds:		
State Trunkline Fund	30,231	2,179
Michigan Transportation Fund	1,867	30,243
Comprehensive Transportation Fund	7,359	130
State Recreational Land Acquisition Trust Fund	1,541	-
Michigan Employment Security Act - Administration Fund	-	1,394
State Lottery Fund	959	104
Counter-Cyclical Budget and Economic Stabilization Fund	6,969	-
Michigan Veterans' Benefit (Trust) Fund	568	-
Other Special Revenue Funds	2,428	240
	51,925	34,291
Debt Service Funds	7	3
Capital Projects Funds	-	-

Note 21 continued on next page.

PROPRIETARY FUND TYPES		
Enterprise Funds	749	1,143
Internal Service Funds	1,684	223
FIDUCIARY FUND TYPES		
Trust and Agency Funds:		
State Employees' Retirement Fund	20,500	-
Public School Employees' Retirement Fund	1,405	-
Contribution Fund (Social Security)	13,095	-
Michigan Employment Security Act Contingency Fund	1,470	-
Special Federal Bridge Replacement Fund	85	3,784
Other Trust and Agency Funds	2,318	1,353
	38,875	5,138
Total Current Interfund Receivables and Payables All Funds	$94,674	$94,674

Long-term interfund receivables and payables are classified on the balance sheet as advances. The largest advance item is from the General Fund to the State Building Authority for $16.8 million.

NOTE 22 -- INTERFUND COMMITMENTS

Advances from the Michigan Veterans' Benefit (Trust) Fund

The Michigan Veterans' Benefit (Trust) Fund, a special revenue fund, has made long-term advances to the General Fund totaling $49.8 million. These advances were made in accordance with Public Act 119 of 1976 and Public Act 364 of 1980. The acts include provisions for annual repayments and reimbursement of lost interest. Advance repayments of $4.4 million are scheduled and appropriated for 1985-86. Through September 30, 1985, $19.5 million of the advances had been repaid, including $4.4 million in 1984-85. The balance of the advances ($30.3 million) is not recorded as an asset of the special revenue fund or a liability of the General Fund because of its long-term and budgetary nature.

Mackinac Bridge Authority

The Mackinac Bridge Authority, which is reported as a special revenue fund, has over the years received $71.3 million of subsidies for operations ($11.8 million) and debt service ($59.5 million). These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds. The Authority will redeem its remaining bonds during 1985-86. After that time, State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments will continue until such time as the subsidies have been completely returned. The Authority has not recorded a liability and the State funds have not recorded receivables for these subsidies because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature.

NOTE 23 -- RETAINED EARNINGS DESIGNATIONS

Certain amounts of retained earnings for component units reported in the enterprise fund group are designated for specified purposes. Generally, these designations are required by the applicable bond agreements. The amounts (in millions), by unit, as of the fiscal year-end are as follows:

	1985	1984
Michigan Higher Education Student Loan Authority	$ 34.6	$ 28.6
Michigan Higher Education Assistance Authority	3.0	-
Mackinac Island State Park Commission	4.1	4.3
Michigan Economic Development Authority	6.6	6.7
Michigan State Housing Development Authority	102.1	89.2
Total	$150.7	$128.8

NOTE 24 -- RESERVED FUND BALANCES

The line entitled "reserved fund balance" on the combined balance sheet at September 30, 1985 consists of the following (in millions):

Reserved Fund Balances	General	Special Revenue	Debt Service	Capital Project	Pension Trust
Spending Authority Reserves:					
Encumbrances	$100.6	$233.3	$ -	$ -	$ -
Restricted revenues	156.0	57.8	.3	-	-
Construction and other multi-year projects	124.0	196.7	-	.5	-
Other funds legally segregated for specific purposes.	-	.9	-	-	-
Retirement benefits	-	-	-	-	10,614.0
Funds held as permanent investments	-	27.2	-	-	-
Noncurrent assets	36.4	131.1	-	-	-
Total Reserved Fund Balances	$417.2	$647.3	$ .3	$ .5	$10,614.0

Fund balance has not been reserved for $59.9 million of unencumbered capital outlay authorization carry-overs in the General Fund. These carry-overs are considered to be commitments of future year revenues, rather than being fully funded from available resources. As more fully explained in Note #3, additional reserves to fund elimination of departures from generally accepted accounting principles are recorded on the statutory/budgetary basis.

The State does not record any reservations in expendable trust funds because the balances are all considered available for the purposes of the various funds. From the overall State perspective, the fund balances are restricted by the nature of the fund type and they are not available for general State purposes.

NOTE 25 -- SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Oversight Entity Funds - The State operates three enterprise funds. The Liquor Purchase Revolving Fund accounts for the State's activities in the distribution of liquor at the wholesale and retail levels. The fund is also used to account for certain liquor taxes that generate revenue for other State activities. Public Act 431 of 1984 requires that the net income of the fund be transferred to the General Fund. The Michigan State Fair Revolving Fund records the results of the annual State Fair and periodic rental of fairground facilities. The General Fund provides periodic transfers for the improvement of facilities. The Department of Natural Resources Magazine Fund accounts for the production and sale of various publications.

Note 25 continued on next page.

STATE OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

Segment information for the fiscal year ended September 30, 1985 (in thousands) was as follows:

	LIQUOR PURCHASE REVOLVING FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	SUBTOTAL OVERSIGHT ENTITY
Operating Revenues...................	$ 430,095	$ 2,861	$ 1,434	$ 434,391
Depreciation.........................	467	521	21	1,011
Operating Income (Loss)..............	59,315	(1,504)	(236)	57,574
Tax Revenues.........................	7,498	-	-	7,498
Operating Transfers:				
In:				
Contributed Fixed Assets.........	-	1,245	-	1,245
Other Transfers..................	14	244	-	259
Operating Transfers In........	14	1,490	-	1,505
Out:				
Statutory Net Income Transfer....	(61,520)	-	-	(61,520)
Administrative General Fund Costs	(5,308)	(60)	(69)	(5,439)
Operating Transfers Out.......	(66,828)	(60)	(69)	(66,959)
Net Income (Loss)....................	-0-	(156)	(303)	(459)
Property, Plant, and Equipment.......	5,694	15,251	45	20,990
Net Working Capital..................	38,902	(887)	(571)	37,442
Total Assets.........................	91,936	16,087	781	108,806
Long-term Liabilities................	3,421	110	38	3,570
Total Equity (Deficit)...............	41,175	14,252	(564)	54,863

Component Units - The enterprise fund type includes the following State financing authorities (and commission): the Michigan State Housing Development Authority (MSHDA), Michigan State Hospital Finance Authority (MSHFA), Michigan Higher Education Student Loan Authority (MHESLA), Michigan Higher Education Assistance Authority (MHEAA), Michigan Economic Development Authority (MEDA), and the Mackinac Island State Park Commission (MISPC).

Four of the authorities issue long-term debt to finance loans for the construction of multifamily and single family housing and home improvements (MSHDA), for capital improvements and equipment acquisition at nonprofit hospitals (MSHFA), for tuition to qualified students attending participating institutions of higher education (MHESLA), and for issuing loans and grants to private enterprises to foster economic expansion (MEDA). The long-term debt of these authorities is financed mainly from loan repayments and investment income. The long-term debt of the MEDA is also financed, in part, from gas and oil revenues.

The MHEAA, which is included for the first time in this fund group (see Note #4), is the State guaranty agency under the Guaranteed Student Loan Program, the Michigan Auxiliary Student Loan Program and the Parent Loan for Undergraduate Students Program.

The MISPC accounts for the operation of the Mackinac Island State Park. The majority of its costs are financed through admission fees, although it does receive a partial subsidy in the form of a General Fund appropriation determined annually by the Legislature.

Note 25 continued on next page.

Segment information for component units included in the enterprise fund for the fiscal years ended in 1985 (in thousands) is as follows:

	MSHFA	MHESLA	MHEAA	MISPC	MEDA	MSHDA	Subtotal Component Units
Operating Revenues	$ 138,622	$ 27,156	$ 48,612	$ 1,401	$ 7,403	$ 187,356	$ 410,551
Depreciation and Amortization Expense	-	1,526	-	153	-	212	1,891
Operating Income (Loss)	3,428	2,702	2,286	(1,283)	2,838	16,432	26,403
Oil and Gas Mineral Revenue (Nonoperating)	-	-	-	-	19,000	-	19,000
Operating Transfers:							
In (subsidies)	-	-	-	1,057	-	-	1,057
Out (indirect or overhead costs)	-	-	-	-	(145)	(612)	(757)
Net Income (Loss)	3,428	2,644	2,286	(151)	16,693	15,820	40,721
Property, Plant, and Equipment	-	-	-	3,249	-	-	3,249
Net Working Capital	47,495	(53,684)	24,138	1,355	66,119	151,860	237,284
Mortgage Notes and Loans Receivable (Net)	957,229	174,229	599	-	12,165	1,518,907	2,663,131
Total Assets	1,526,447	238,742	42,638	4,689	81,881	2,189,706	4,084,104
Bonds (Net) and Other Long-Term Liabilities	1,425,926	37,982	4,345	430	24,600	1,850,016	3,393,300
Total Equity	5,227	40,432	20,393	4,174	53,027	118,634	241,888

The following table demonstrates the relative shares of oversight entity funds and component units:

	OVERSIGHT ENTITY FUNDS	COMPONENT UNITS	TOTAL ENTERPRISE FUNDS
Operating Revenues	$ 434,391	$ 410,551	$ 844,942
Depreciation and Amortization Expense	1,011	1,891	2,902
Operating Income (Loss)	57,574	26,403	83,978
Oil and Gas Mineral Revenue (Nonoperating)	-	19,000	19,000
Tax Revenues	7,498	-	7,498
Operating Transfers:			
In	1,505	1,057	2,563
Out	(66,959)	(757)	(67,716)
Net Income (Loss)	(459)	40,721	40,261
Net Working Capital	37,442	237,284	274,726
Property, Plant, and Equipment	20,990	3,249	24,240
Mortgage Notes and Loans Receivable (Net)	-	2,663,131	2,663,131
Total Assets	108,806	4,084,104	4,192,910
Bonds (Net) and Other Long-Term Liabilities	3,570	3,393,300	3,396,870
Total Equity	54,863	241,888	296,751

NOTE 26 -- STATE SPONSORED GROUP INSURANCE

The State is self-funded for most of its employee insurance benefit programs. The programs are accounted for in the State Sponsored Group Insurance Fund, an internal service fund. The fund is reported in accordance with the generally accepted accounting principles applicable to the private insurance industry. Loss reserves for incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $58.0 million. This includes a long-term portion which is recorded at a discounted present value of $13.6 million. Unearned premium revenue of $50.3 million has been recorded as deferred revenues. These unearned premiums represent fund and employee contributions in excess of recognized expenses at the benefit program level.

Note 26 continued on next page.

The Department of Civil Service intends that the various component programs of the fund be self-supporting in the long run. Individual programs may incur deficits during a given year, but each program's surplus, unearned premium balance, or deficit is considered in calculating future charges or benefit levels.

NOTE 27 -- CONTINGENCIES AND COMMITMENTS

Litigation - The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of prison overcrowding and corrections, highway maintenance and transportation, social services, tax collection, commerce, and budgetary reductions to school districts and governmental units. Relief sought includes damages in tort cases generally, and recovery of taxes paid under the Michigan Premium Tax. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon fund balance. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of all these legal proceedings will not themselves, in the opinion of the Attorney General of the State, have a material adverse effect on the State's financial position.

The State accrues liabilities related to significant (generally, over $20 million) legal proceedings when the loss becomes probable and reasonably estimable. For the many proceedings which are, individually, not significant to the State's financial statements, losses are generally recognized if final settlement is made within 60 days of year-end. In the event that a significant, probable, and reasonably estimable loss is not settled within 60 days, the obligation is recorded as a general long-term liability or fund liability, depending on the fund type.

Contingent Liability for Local School District Bonds - Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 1985 the principal amount of qualified bonds outstanding was $1.9 billion. Total debt service requirements on these bonds including interest will approximate $251.0 million in 1986.

Federal Grants - Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. The State recognizes material disallowances when the loss becomes probable and reasonably estimable. As of September 30, 1985, the State estimates that additional disallowances of recognized revenues will not be material to the statements.

Construction Projects - As of September 30, 1985, several construction projects were in progress, with several others in the planning stages. A significant portion of these projects involve the construction and renovation of correctional facilities. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note #12).

Unencumbered Contracts - Encumbrances for contracts related to capital outlay are recorded only to the extent that unused spending authority exists. The General Fund and the State Trunkline Fund, a special revenue fund, have unencumbered contracts in excess of spending authority totaling $63.8 and $19.1 million, respectively.

Student Loan Guarantees - The Michigan Higher Education Assistance Authority (MHEAA), which is reported as an enterprise fund in this report, is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State of Michigan, other than MHEAA, is not liable for these loans. The MHEAA's default ratio is currently in excess of 5% for the fiscal year ended September 30, 1985. As a result, the federal government's reinsurance rate for defaults in excess of 5% for the fiscal year ended September 30, 1985, is 90%. In the event of future adverse default experience, the MHEAA could be liable for up to 20% of defaulted loans. The reinsurance rate returns to 100% at the beginning of each fiscal year, and management does not expect that all guaranteed loans could default in one year. Accordingly, the MHEAA's expected maximum contingent liability is less than 20% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 1985 is $299 million (20% of loans outstanding).

Note 27 continued on next page.

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities of at least 2% of the aggregate unpaid principal amount of all loans they have guaranteed. The MHEAA was in compliance with this requirement as of September 30, 1985 and 1984.

Social Security Contributions - During fiscal years 1983-84 and 1984-85, the federal social security administration refunded social security contributions, totalling approximately $36 million, to the State and its employees. The refunds were based on the social security administration's concurrence that the contributions were made on payments not includable in covered wages. Subsequently, the social security administration reconsidered its position and informed the State that an assessment will be issued requiring that some of the refunds be repaid. The State believes that the original determination was correct and plans to appeal any assessment.

Unemployment Compensation - The State is contingently liable for future unemployment benefits for current employees. The Michigan Employment Security Commission bills the State for the actual amount of claims paid through September 30 to former State employees. The State does not accrue liabilities for unemployment compensation to be paid in future fiscal years. During the 1984-85 fiscal year, the amount of claims paid to former State employees was $3.6 million. Future year payments have not been estimated.

Revenue Limitation - As described more fully in Note #3, Article IX, Section 26 of the State Constitution limits State revenues in every fiscal year to a certain percentage of total personal income in the State. The Constitution stipulates that if the limitation has been exceeded by 1% or more, then individual and business taxpayers are entitled to the overage on a pro rata basis of their respective reported tax liabilities.

For the 1984-85 fiscal year, the definition of Total State Revenues will determine whether or not the limitation has been reached. The Departments of Treasury and of Management and Budget have raised various questions concerning the definition of Total State Revenues. Discussion of this item has also prompted an examination into the methods utilized in determining the original calculation in the 1978-79 base year. The major question concerning the definition revolves around whether gross lottery sales revenues (including money that goes for prizes) or net lottery sales revenues (after deducting the prizes paid to lottery winners) should be defined as part of "Total State Revenue."

The Governor has indicated that the Supreme Court will be asked to rule on the definition of Total State Revenues. Various unofficial estimates by interested parties range from an indication in legislative testimony that State revenues were $89.9 million below the limit in fiscal year 1984-85, to a claim made in Kent County Circuit Case number 86-50049CZ alleging that the limit was exceeded by $203.1 million. The correct interpretation must await the impending judicial review.

Recent legislation proposed by the Michigan Senate provides that, if a refund is necessary, the distribution of the amount to be refunded shall be based upon tax liabilities for tax years that commenced in the 1984-85 fiscal year. Since single business tax taxpayers with a tax year commencing on or after June 1, 1985 would not file their annual return until after September 30, 1986, that legislation (Enrolled House Bill 4706) in effect prohibits making any refund distributions before January 1, 1987.

NOTE 28 -- SUBSEQUENT EVENTS

Short-Term Borrowing

The Constitution provides that the legislature may authorize the issuance of short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. Based upon undedicated revenues in 1983-84, the maximum amount which could have been borrowed in 1984-85 was approximately $780 million. The Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. On October 1, 1985, the State issued general obligation notes aggregating $350 million. The notes are due on September 29, 1986. In the 1984-85 fiscal year, $450 million was borrowed in October 1984 and repaid in September 1985. The proceeds are used to meet cash flow requirements, primarily related to school aid distributions and income tax refunds.

Note 28 continued on next page.

Michigan Strategic Fund

Public Act 270 of 1984, enacted in December 1984, created a new "Michigan Strategic Fund." The act provides for the assumption by the new fund of the activities of the Michigan Economic Development Authority (an enterprise fund) and the Michigan Job Development Authority (a special revenue fund). The new fund will be established on October 1, 1985 and the assets of the old authorities, which are included in this report through September 30, 1985, will be transferred at that time to the new fund.

Michigan Natural Resources Trust Fund

In the November 1984 general election, the electorate passed a constitutional amendment proposal that provides restriction of revenues derived from certain mineral rights on State lands. Public Act 101 of 1985, which was passed to implement this amendment, created the Natural Resources Trust Fund effective October 1, 1985. The legislation abolished the State Recreation Land Acquisition Trust Fund (special revenue) and Heritage Trust Fund (agency) and transferred most of their assets and operations to the new fund, which will be reported as a special revenue fund. The Game and Fish Protection Fund (special revenue) will also receive part of the State Recreation Land Acquisition Trust Fund's balance.

Oil Overcharge Settlement

Subsequent to year-end, the federal court case of United States of America vs. Exxon Corporation was settled. The State received $71.0 million in March of 1986 on behalf of the citizens of the State of Michigan which was deposited into an expendable trust fund. The settlement will be used for programs which must meet criteria established by the court. Revenues and receivables related to this settlement are not reflected in this year's statements.

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II FINANCIAL SECTION

COMBINING FINANCIAL
STATEMENTS
AND SCHEDULES

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 1985
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 95	$ 182	$ 2,163
Equity in Common Cash	392,205	112,101	73,207
Taxes, interest, and penalties receivable (at net)	54,470	1	-
Amounts due from other funds	41,196	1,965	1,201
Amounts due from federal agencies	94,269	1,676	1,935
Amounts due from local units	20,851	16	-
Inventories	11,462	-	90
Investments	-	-	-
Other current assets	3,905	8,825	16,316
Total Current Assets	618,456	124,768	94,916
Taxes, interest, and penalties receivable (at net)	227	-	-
Amounts due from other funds	-	-	-
Amounts due from local units	122,170	-	-
Investments	-	-	76,621
Other noncurrent assets	12,268	-	-
Total Assets	$ 753,123	$ 124,768	$ 171,537
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ -
Warrants outstanding	4,080	2,589	488
Accounts payable and other liabilities	209,732	3,561	34,446
Amounts due to other funds	32,593	92	1,498
Deferred revenue	4,945	-	9,098
Total Current Liabilities	251,350	6,243	45,532
Long-Term Liabilities:			
Advances from other funds	-	-	-
Prize awards payable	-	-	107,507
Deferred revenue	18,723	-	-
Total Liabilities	270,074	6,243	153,039
Fund Balances:			
Reserved	428,278	85,707	1,537
Unreserved	54,770	32,818	16,960
Total Fund Balances	483,048	118,525	18,498
Total Liabilities and Fund Balances	$ 753,123	$ 124,768	$ 171,537

		TOTALS	
STATE AUTHORITIES	OTHER	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 402	$ 2	$ 2,847	$ 2,330
-	357,134	934,649	484,887
-	99,542	154,013	144,421
-	7,561	51,925	54,667
-	-	97,881	94,505
57	506	21,431	26,523
-	-	11,553	11,170
84,722	-	84,722	63,015
3,309	52	32,409	25,088
88,493	464,799	1,391,434	906,611
-	2,927	3,155	3,415
-	2,283	2,283	2,446
-	12,920	135,091	112,988
54,746	-	131,368	173,317
-	-	12,268	11,294
$ 143,239	$ 482,931	$ 1,675,601	$ 1,210,072
$ -	$ 99,124	$ 99,124	$ 121,896
-	22	7,181	10,021
27,381	1,669	276,790	261,760
104	1	34,291	32,837
62	-	14,106	10,071
27,548	100,819	431,494	436,588
16,846	-	16,846	-
-	-	107,507	36,207
-	2,960	21,684	14,709
44,395	103,780	577,533	487,504
96,552	35,277	647,353	625,517
2,291	343,873	450,714	97,050
98,843	379,151	1,098,067	722,568
$ 143,239	$ 482,931	$ 1,675,601	$ 1,210,072

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
REVENUES			
Taxes	$ 948,344	$ 3,029	$ -
From federal agencies	301,982	3,176	106,941
From local agencies	16,492	1	-
From services	814	-	-
From licenses and permits	22,403	25,698	4,430
Miscellaneous	51,998	44,966	902,098
Total Revenues	1,342,035	76,874	1,013,471
EXPENDITURES			
Current:			
General government	-	-	105,015
Education	-	-	-
Conservation, recreation, and agriculture	-	6,787	-
Labor, commerce, and regulatory	-	-	121,022
Transportation	840,177	-	-
Lottery prize awards	-	-	433,460
Capital outlay	344,006	15,097	7
Debt service:			
Capital lease payments	1,388	-	3,129
Total Expenditures	1,185,572	21,885	662,636
Excess of Revenues over (under) Expenditures	156,463	54,988	350,835
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	1,641	-	422
Proceeds from bond issues	-	32,875	-
Operating transfers in	414,750	8,994	18,867
Operating transfers out	(545,515)	(43,728)	(371,750)
Total Other Financing Sources (Uses)	(129,123)	(1,858)	(352,461)
Cumulative Effect of Accounting Change	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses after Accounting Change	27,340	53,130	(1,625)
Fund Balances - Beginning of fiscal year - as previously reported	440,009	65,395	20,123
Effect of accounting change	-	-	-
Fund Balances - Beginning of fiscal year - restated	440,009	65,395	20,123
Equity transfers from other funds	15,698	-	-
Fund Balances - End of fiscal year	$ 483,048	$ 118,525	$ 18,498

STATE AUTHORITIES	OTHER	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985	 SEPTEMBER 30, 1984
$ -	$ 1,373,812	$ 2,325,188	$ 2,109,145
-	33,000	445,101	430,905
-	-	16,494	17,010
1,542	-	2,356	1,610
4,801	-	57,334	53,012
17,297	33,435	1,049,796	703,468
23,641	1,440,248	3,896,272	3,315,151
137	5,055	110,208	69,923
55,337	2,194,118	2,249,455	2,018,823
120	-	6,907	2,146
399	-	121,422	136,556
2,920	-	843,098	775,740
-	-	433,460	290,684
-	-	359,111	388,988
-	-	4,517	-
58,915	2,199,173	4,128,182	3,682,862
(35,273)	(758,925)	(231,910)	(367,711)
-	-	2,064	-
-	-	32,875	209,398
4,008	1,143,993	1,590,613	1,134,439
(41,525)	(34,921)	(1,037,442)	(849,610)
(37,517)	1,109,072	588,111	494,228
-	-	-	2,060
(72,791)	350,146	356,200	128,577
171,635	25,404	722,568	444,976
-	-	-	149,014
171,635	25,404	722,568	593,990
-	3,600	19,299	-
$ 98,843	$ 379,151	$ 1,098,067	$ 722,568

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	TRANSPORTATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 956,834	$ 948,344	$ (8,489)
From federal agencies	315,137	302,152	(12,984)
From local agencies	15,658	16,271	613
From services	696	814	117
From licenses and permits	12,405	22,403	9,997
Miscellaneous	32,106	41,318	9,212
Operating transfers in	420,330	414,750	(5,579)
Total Revenues and Other Sources	1,753,168	1,746,055	(7,113)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	-	-	-
Education	-	-	-
Natural Resources	-	-	-
Labor	-	-	-
Transportation	1,915,349	1,885,070	30,278
Total Expenditures, Operating Transfers Out, and Encumbrances	1,915,349	1,885,070	30,278
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (162,180)	(139,014)	$ 23,165
Reconciling Items:			
Encumbrances at September 30		198,083	
Net effect of basis differences		1,441	
Funds not annually budgeted		(33,170)	
Net Reconciling Items		166,355	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		27,340	
FUND BALANCES (GAAP BASIS)			
Beginning balances		440,009	
Equity transfers from other funds		15,6[illegible]	
Ending balances		$ 483,048	

CONSERVATION AND RECREATION RELATED			REGULATORY AND ADMINISTRATIVE RELATED			STATE AUTHORITIES		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,947	$ 3,029	$ 82	$ –	$ –	$ –	$ –	$ –	$ –
1,800	3,176	1,376	–	–	–	–	–	–
–	1	1	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
20,501	25,698	5,197	2,827	3,498	671	–	–	–
38,512	43,034	4,522	8,212	8,308	96	–	–	–
9,424	8,994	(429)	–	3	3	–	–	–
73,185	83,936	10,750	11,040	11,811	771	–	–	–
–	–	–	7,000	4,140	2,859	–	–	–
–	–	–	1,412	550	861	–	–	–
–	–	–	–	–	–	–	–	–
62,466	60,245	2,221	–	–	–	–	–	–
–	–	–	5,435	5,029	406	–	–	–
–	–	–	–	–	–	–	–	–
62,466	60,245	2,221	13,848	9,720	4,127	–	–	–
$ 10,718	23,690	$ 12,972	$ (2,808)	2,090	$ 4,898	$ –	–	$ –
	809			–			–	
	–			–			–	
	28,630			(3,716)			(72,791)	
	29,439			(3,716)			(72,791)	
	53,130			(1,625)			(72,791)	
	65,395			20,123			171,635	
	–			–			–	
	$ 118,525			$ 18,498			$ 98,843	

This statement continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	OTHER			TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABL (UNFAVORAB
REVENUES AND OTHER SOURCES						
Taxes	$ 1,371,904	$ 1,373,812	$ 1,908	$ 2,331,685	$ 2,325,187	$ (6,49
From federal agencies	34,989	33,000	(1,988)	351,926	338,329	(13,59
From local agencies	-	-	-	15,658	16,273	61
From services	-	-	-	696	814	11
From licenses and permits	-	-	-	35,734	51,600	15,86
Miscellaneous	36,200	33,435	(2,764)	115,031	126,097	11,06
Operating transfers in	1,207,265	1,143,993	(63,271)	1,637,019	1,567,741	(69,27
Total Revenues and Other Souces	2,650,358	2,584,241	(66,116)	4,487,752	4,426,045	(61,70
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Management and Budget	39,826	39,979	(153)	46,826	44,120	2,70
State	-	-	-	1,412	550	86
Education	2,191,772	2,191,772	-	2,191,772	2,191,772	
Natural Resources	-	-	-	62,466	60,245	2,22
Labor	-	-	-	5,435	5,029	40
Transportation	-	-	-	1,915,349	1,885,070	30,27
Total Expenditures, Operating Transfers Out and Encumbrances	2,231,599	2,231,752	(153)	4,223,263	4,186,789	36,47
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 418,758	352,489	$ (66,269)	$ 264,488	239,255	$ (25,23
Reconciling Items:						
Encumbrances at September 30		3			198,896	
Net effect of basis differences		-			1,441	
Funds not annually budgeted		(2,346)			(83,394)	
Net Reconciling Items		(2,342)			116,944	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		350,146			356,200	
FUND BALANCES (GAAP BASIS)						
Beginning balances		25,404			722,568	
Equity transfers from other funds		3,600			19,299	
Ending balances		$ 379,151			$ 1,098,067	

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STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1985

STATE AERONAUTICS FUND

This fund, established by P.A. 327 of 1945, is administered by the Department of Transportation for improvement of airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs.

STATE TRUNKLINE FUND

This fund is administered by the Department of Transportation for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of a transfer from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, lapses and reverts to the fund for appropriation in the following fiscal year.

Under an arrangement with the Federal Highway Administration, the department has, over a period of years, qualified a number of construction projects financed from bond issues without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of the department, to the extent of bond retirement, provided that there are adequate federal aid allocations. This arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period, in case a relatively greater amount of federal aid became available at some later date. During the 1984-85 fiscal year $13.4 million was received by the Department of Transportation through the conversion of deferred projects in order to receive the maximum federal funds available.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

MICHIGAN TRANSPORTATION FUND

This fund, established by P.A. 51 of 1951, Sec. 10, as amended, is administered jointly by the Department of Transportation and the Department of State. In addition, a number of types of revenue are collected by the Department of Treasury. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, and the Michigan State Waterways Fund in accordance with the statutory formulae. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formulae and pursuant to P.A. 5 of 1967 (Extra Session), Sec. 91, to the Mackinac Bridge Authority to apply on payment of principal and interest of the outstanding bonds so bridge tolls can be reduced.

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created by Public Acts 326, 327, and 328 of 1972 and Public Act 197 of 1973. Further additions and amendments to the laws governing this fund were enacted in 1975, being Public Acts 195, 196, and 239.

The fund, under the direction of the Department of Transportation, was created for the purpose of planning and developing public transportation systems within the State. In accordance with statutory provisions, any unencumbered balance, at fiscal year-end, lapses and reverts to the fund for appropriation in the following fiscal year.

In addition to providing direct expenditures for public transportation purposes, the fund is increasingly being used to provide financing for entities providing bus and rail services. Such financing is provided primarily by purchasing buses and reselling them to private carriers on a credit basis and by purchasing and leasing back rail related assets.

Financing is provided by a transfer from the Michigan Transportation Fund, federal, local, vehicle related sales tax, and aviation related revenues.

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $217 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $106.3 million Series A bonds in 1980 and $50 million Series B bonds in 1981. These bonds are used to finance part of the costs of constructing and acquiring comprehensive transportation projects. A majority of these projects, as approved by legislative action, are undertaken to enhance local transportation systems.

1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $135 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $135 million bonds in 1983. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded in the State Trunkline Fund,which receives loan repayments.

1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $60 million of comprehensive transportation bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IV of the Michigan Constitution and irrevocably pledged by law for disposition in the Comprehensive Transportation Fund.

The State Transportation Commission approved issuance of $60 million bonds in 1984. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $50 million of State trunkline bonds. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for State trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of $50 million bonds in 1984. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds are also used to finance loans to local units of government for reconstructing and resurfacing roadways, by a transfer to the State Trunkline Fund where the loans are made and recorded.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 1985
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 95	$ -
Equity in Common Cash	4,774	161,637	93,133
Taxes, interest, and penalties receivable (at net)	109	-	54,361
Amounts due from other funds	95	30,231	1,867
Amounts due from federal agencies	11,049	77,584	-
Amounts due from local units	6,019	12,306	-
Inventories	-	11,462	-
Other current assets:			
Amounts due from private carriers	-	-	-
Miscellaneous	6	1,988	185
Total other current assets	6	1,988	185
Total Current Assets	22,054	295,306	149,547
Taxes, interest, and penalties receivable (at net)	-	-	227
Amounts due from local units	870	118,300	-
Other noncurrent assets:			
Amounts due from private carriers	-	-	-
Land contracts outstanding	-	5,197	-
Miscellaneous	-	-	-
Total other noncurrent assets	-	5,197	-
Total Assets	$ 22,924	$ 418,804	$ 149,775
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 37	$ 3,471	$ 215
Accounts payable and other liabilities	3,981	68,044	119,089
Amounts due to other funds	40	2,179	30,243
Deferred revenue	4,945	-	-
Total Current Liabilities	9,004	73,695	149,547
Long-Term Liabilities:			
Deferred revenue	-	8,424	227
Total Liabilities	9,004	82,120	149,775
Fund Balances:			
Reserves:			
Reserved for encumbrances	8,656	172,252	-
Reserved for unencumbered restricted revenue balances (except capital outlay)	-	826	-
Reserved for unencumbered capital outlay and work projects	2,905	32,570	-
Reserved for noncurrent assets	870	115,073	-
Total Reserves	12,432	320,723	-
Unreserved	1,487	15,961	-
Total Fund Balances	13,919	336,684	-0-
Total Liabilities and Fund Balances	$ 22,924	$ 418,804	$ 149,775

COMPREHENSIVE TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS SEPTEMBER 30, 1985	TOTALS SEPTEMBER 30, 1984
$ –	$ –	$ –	$ –	$ –	$ 95	$ 101
57,350	21,889	4,152	36,989	12,278	392,205	372,236
–	–	–	–	–	54,470	50,770
7,359	468	95	773	303	41,196	35,838
5,636	–	–	–	–	94,269	82,341
2,193	–	331	–	–	20,851	12,311
–	–	–	–	–	11,462	10,988
219	–	–	–	–	219	197
1,296	207	–	–	–	3,685	2,048
1,516	207	–	–	–	3,905	2,246
74,056	22,565	4,579	37,763	12,582	618,456	566,835
–	–	–	–	–	227	118
3,000	–	–	–	–	122,170	110,677
7,068	–	–	–	–	7,068	7,047
–	–	–	–	–	5,197	4,246
2	–	–	–	–	2	–
7,071	–	–	–	–	12,268	11,294
$ 84,127	$ 22,565	$ 4,579	$ 37,763	$ 12,582	$ 753,123	$ 688,926
$ 166	$ –	$ –	$ –	$ 188	$ 4,080	$ 8,291
13,956	752	15	3,797	94	209,732	200,270
130	–	–	–	–	32,593	26,316
–	–	–	–	–	4,945	2,625
14,252	752	16	3,797	283	251,350	237,504
10,071	–	–	–	–	18,723	11,412
24,323	752	16	3,797	283	270,074	248,916
17,174	6,759	242	7,025	497	212,608	143,237
5,272	15,053	–	18,225	4,695	44,073	60,923
34	–	4,320	8,714	7,106	55,652	61,660
–	–	–	–	–	115,943	110,677
22,482	21,812	4,562	33,966	12,299	428,278	376,500
37,321	–	–	–	–	54,770	63,509
59,803	21,812	4,562	33,966	12,299	483,048	440,009
$ 84,127	$ 22,565	$ 4,579	$ 37,763	$ 12,582	$ 753,123	$ 688,926

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 3,897	$ -	$ 903,097	$ 41,349
From federal agencies	18,500	278,570	-	4,911
From local agencies	3,361	12,910	-	-
From services	738	75	-	-
From licenses and permits	71	535	21,710	84
Miscellaneous	605	21,749	10,697	8,267
Total Revénues	27,175	313,841	935,505	54,612
EXPENDITURES				
Current:				
Transportation	23,787	217,458	474,743	108,506
Capital outlay	53	324,457	-	-
Debt service:				
Capital lease payments	-	1,388	-	-
Total Expenditures	23,841	543,304	474,743	108,506
Excess of Revenues over (under) Expenditures	3,333	(229,462)	460,762	(53,893)
OTHER FINANCING SOURCES (USES)				
Capital lease acquisitions	-	1,641	-	-
Proceeds from bond issue	-	-	-	-
Operating transfers in	1	326,549	21	88,177
Operating transfers out	(657)	(53,984)	(460,783)	(21,196)
Total Other Financing Sources (Uses)	(655)	274,207	(460,762)	66,981
Cumulative Effect of Accounting Change	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses After Accounting Change	2,678	44,744	-	13,088
Fund Balances - Beginning of fiscal year	11,241	276,241	-	46,715
Equity transfers from other funds	-	15,698	-	-
Fund Balances - End of fiscal year	$ 13,919	$ 336,684	$ -0-	$ 59,803

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS	
				FISCAL YEAR ENDED	
				SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ -	$ 948,344	$ 865,474
-	-	-	-	301,982	281,773
-	220	-	-	16,492	16,275
-	-	-	-	814	748
-	-	-	-	22,403	21,043
4,221	697	3,833	1,927	51,998	43,477
4,221	918	3,833	1,927	1,342,035	1,228,794
644	-	15,038	-	840,177	773,477
-	9,407	1,285	8,801	344,006	374,275
-	-	-	-	1,388	-
644	9,407	16,323	8,801	1,185,572	1,147,752
3,576	(8,489)	(12,490)	(6,874)	156,463	81,042
-	-	-	-	1,641	-
-	-	-	-	-	107,714
-	-	-	-	414,750	405,954
(16)	-	-	(8,877)	(545,515)	(515,891)
(16)	-	-	(8,877)	(129,123)	(2,222)
-	-	-	-	-	2,000
3,560	(8,489)	(12,490)	(15,751)	27,340	80,820
18,252	13,051	46,456	28,050	440,009	359,189
-	-	-	-	15,698	-
$ 21,812	$ 4,562	$ 33,966	$ 12,299	$ 483,048	$ 440,009

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 3,500	$ 3,897	$ 397
From federal agencies	23,812	18,500	(5,311)
From local agencies	3,655	3,361	(294)
From services	626	738	112
From licenses and permits	77	71	(5)
Miscellaneous	534	605	71
Operating transfers in	-	1	1
Total Revenues and Other Sources	32,206	27,176	(5,029)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Transportation	34,058	33,176	881
Total Expenditures, Operating Transfers Out, and Encumbrances	34,058	33,176	881
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (1,851)	(5,999)	$ (4,147)
Reconciling Items:			
Encumbrances at September 30		8,656	
Net effect of basis differences		20	
Funds not annually budgeted		-	
Net Reconciling Items		8,677	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		2,678	
FUND BALANCES (GAAP BASIS)			
Beginning balances		11,241	
Equity transfers from other funds		-	
Ending balances		$ 13,919	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 911,380	$ 903,097	$ (8,282)	$ 41,954	$ 41,349	$ (604)
284,915	278,740	(6,174)	-	-	-	6,410	4,911	(1,498)
12,003	12,910	907	-	-	-	-	-	-
70	75	5	-	-	-	-	-	-
469	535	66	11,758	21,710	9,952	100	84	(15)
19,414	21,749	2,334	8,070	10,697	2,627	4,087	8,267	4,179
333,662	326,549	(7,113)	-	21	21	86,667	88,177	1,510
650,534	640,561	(9,973)	931,208	935,526	4,318	139,219	142,790	3,571
785,323	769,444	15,879	938,974	935,526	3,447	156,993	146,922	10,070
785,323	769,444	15,879	938,974	935,526	3,447	156,993	146,922	10,070
$ (134,788)	(128,883)	$ 5,905	$ (7,766)	-	$ 7,766	$ (17,774)	(4,132)	$ 13,641
	172,252			-			17,174	
	1,375			-			45	
	-			-			-	
	173,627			-			17,220	
	44,744			-			13,088	
	276,241			-0-			46,715	
	15,698			-			-	
	$ 336,684			$ -0-			$ 59,803	

This statement continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES				
Taxes	$ -	$ -	$ -	$ -
From federal agencies	-	-	-	-
From local agencies	-	-	-	-
From services	-	-	-	-
From licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
Operating transfers in	-	-	-	-
Total Revenues and Other Sources	-	-	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT				
Transportation	-	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-
Reconciling Items:				
Encumbrances at September 30	-	-	-	-
Net effect of basis differences	-	-	-	-
Funds not annually budgeted	3,560	(8,489)	(12,490)	(15,751)
Net Reconciling Items	3,560	(8,489)	(12,490)	(15,751)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	3,560	(8,489)	(12,490)	(15,751)
FUND BALANCES (GAAP BASIS)				
Beginning balances	18,252	13,051	46,456	28,050
Equity transfers from other funds	-	-	-	-
Ending balances	$ 21,812	$ 4,562	$ 33,966	$ 12,299

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 956,834	$ 948,344	$ (8,489)
315,137	302,152	(12,984)
15,658	16,271	613
696	814	117
12,405	22,403	9,997
32,106	41,318	9,212
420,330	414,750	(5,579)
1,753,168	1,746,055	(7,113)
1,915,349	1,885,070	30,278
1,915,349	1,885,070	30,278
$ (162,180)	(139,014)	$ 23,165
	198,083	
	1,441	
	(33,170)	
	166,355	
	27,340	
	440,009	
	15,698	
	$ 483,048	

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1985

GAME AND FISH PROTECTION FUND

This fund was established by P.A. 17 of 1921. It is financed principally from hunting and fishing license fees whose purpose is to support the conservation program for preservation and control of fish and wildlife. Added revenues arise from the sale of oil and gas leases and subsequent royalties on land acquired by the fund. Activity in this fund consists primarily of transfers to the General Fund to finance appropriations made in the General Fund for game and fish related activities.

In addition, this fund, under provisions of P.A. 91 of 1925 as amended, makes grants through the General Fund to counties as payment in lieu of taxes on certain State owned real property purchased from this fund.

P.A. 101 of 1985 requires the transfer to the Game and Fish Protection Fund of any monies as of October 1, 1985, in the subfund account created by section 4 of the Kammer Recreational Land Trust Fund Act (P.A. 204 of 1976). These funds are currently in the State Recreational Land Acquisition Trust Fund.

MICHIGAN STATE WATERWAYS FUND

This fund was established by P.A. 320 of 1947 and is financed primarily from watercraft registration taxes and gasoline taxes. P.A. 303 of 1967, as amended by P.A. 153 of 1974, stipulates that 25% of watercraft registration taxes are revenue to the Michigan State Waterways Fund. P.A. 328 of 1972 provides that 1.023% of all State-imposed taxes collected on the sale of gasoline shall be credited to the Michigan State Waterways Fund after deducting collection costs and refunds. Gasoline taxes collected by the Michigan Transportation Fund are credited as operating transfers into the Michigan State Waterways Fund. P.A. 179 of 1985 increased this to 1.25% for taxes collected after September 30, 1985.

These revenues are directed primarily toward improvement of lake harbors, docking facilities, and inland waterways. Expenditures for certain items, such as capital outlay, grants to local units, and marine fuel purchases, are made directly from the fund. Other expenditures are recorded in the General Fund, with financing provided by transfers from this fund.

MARINE SAFETY FUND

This fund was established by P.A. 303 of 1967 and is financed principally by 75% of watercraft registration taxes imposed by this act. Amendatory Act 153 of 1974 provided a graduated watercraft registration tax based upon the length of a vessel or motorboat. Activities of this fund consist solely of transfers to the General Fund and the Michigan State Waterways Fund for water safety education programs, law enforcement, and establishment of regulations for the operation of watercraft on the waters of this State.

STATE PARK IMPROVEMENT FUND

This fund was established by P.A. 149 of 1960 as amended, and is financed mainly by the proceeds of an authorized $20 million revenue dedicated bond issue and from State park permit fees necessary for entry by motor vehicle into designated State parks. Permit fees are recorded as operating transfers from the State Park Revenue Bond Fund which makes allocations from such fees.

The resources of this fund are subject to appropriations by the Legislature for operation, the acquisition of land, construction, development, and improvement of State parks.

STATE RECREATIONAL LAND ACQUISITION TRUST FUND

This fund was established by P.A. 204 of 1976 as amended, and is administered by the Department of Natural Resources. Previous to 1981-82, except for specified exceptions, all bonus, rentals, and royalties derived from mineral interests in all mineral, coal, oil, and gas owned by the State were credited to the fund for future purchases of land for hunting or fishing and other recreational purposes, administrative expenditures, and for the payment of any taxes owed by the State on the land. P.A. 165 of 1982 amended P.A. 204 of 1976 by providing for periodic distributions of specified amounts to the State Economic Development Authority. P.A. 327 of 1982 revised this by requiring that from its December 13, 1982 effective date through September 30, 2032, these mineral interests be credited to the Heritage Trust Fund, which is an agency fund created by P.A. 328 of 1982. That fund has made the mandated distributions to the Economic Development Authority and transferred excess revenues to the State Recreational Land Acquisition Trust Fund to finance the expenditures originally specified in P.A. 204.

The State Constitution was amended in November 1984 to provide for a "Michigan Natural Resources Trust Fund." As stipulated by P.A. 101 of 1985, the State Recreational Land Acquisition Trust Fund will be merged into the new fund effective October 1, 1985. This law also eliminates the Heritage Trust Fund as of October 1, 1985, but continues its distributions to the Economic Development Authority (to be merged into the Strategic Fund as of October 1) from the new "Michigan Natural Resources Trust Fund" which will be receiving those mineral interests previously credited to the Heritage Trust Fund.

WATER POLLUTION CONTROL BOND FUND

This fund was established by P.A. 329 of 1966 to account for the proceeds of $335.0 million of general obligation bonds approved by the people in November, 1968, for the prevention and abatement of water pollution. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 Constitution and P.A. 76 of 1968. Bond sales were completed in November, 1984 with a $33.0 million sale. The proceeds of these bonds are used to assist local units of government in financing construction of facilities for treatment of sewage and other liquid wastes.

HAZARDOUS WASTE MANAGEMENT FUND

The Hazardous Waste Management Fund was established by P.A. 64 of 1979. It accounted for the fees collected under the authority of the act for financing the licensing and regulation of hazardous waste disposal facility operations.

P.A. 486 of 1982 amended that act by eliminating the authority for fee collection, by ordering refunds of previously collected fees, and by requiring the elimination of the fund. Because of the time required to identify and locate those parties who had originally paid fees to waste facility operators, some refunds remain to be made during 1985-86.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

This fund was established by P.A. 189 of 1983 which allows a Michigan State income taxpayer to designate $2 or more of his or her tax refund for the purposes specified in the act. They include research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. P.A. 145 of 1985 extends this provision through tax year 1994 or until the fund's assets exceed $6.0 million. These funds must be appropriated by the Legislature before expenditure. Expenditures occur in the General Fund and are financed by operating transfers.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
SEPTEMBER 30, 1985
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	STATE PARK IMPROVEMENT FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 182	$ -	$ -	$ -
Equity in Common Cash	2,979	1,840	359	5,085
Taxes, interest, and penalties receivable	-	1	-	-
Amounts due from other funds	-	3	-	43
Amounts due from federal agencies	1,234	-	-	-
Amounts due from local units	16	-	-	-
Other current assets:				
Miscellaneous	5,794	5	-	-
Total other current assets	5,794	5	-	-
Total Current Assets	10,207	1,850	359	5,129
Total Assets	$ 10,207	$ 1,850	$ 359	$ 5,129
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 4	$ 6	$ -	$ 43
Accounts payable and other liabilities	36	73	-	133
Amounts due to other funds	86	-	6	-
Total Current Liabilities	128	79	6	176
Total Liabilities	128	79	6	176
Fund Balances:				
Reserves:				
Reserved for encumbrances	138	106	-	564
Reserved for unencumbered restricted revenue balances (except capital outlay)	2,613	36	-	-
Reserved for unencumbered capital outlay and work projects	2,048	1,153	-	1,445
Reserved for balance held in a trust capacity.	-	-	-	-
Total reserves	4,799	1,297	-	2,010
Unreserved (deficit)	5,279	473	353	2,942
Total Fund Balances	10,079	1,771	353	4,952
Total Liabilities and Fund Balances	$ 10,207	$ 1,850	$ 359	$ 5,129

STATE RECREATIONAL LAND ACQUISITION TRUST FUND	WATER POLLUTION CONTROL BOND FUND	HAZARDOUS WASTE MANAGEMENT FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS	
				SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ -	$ 182	$ 74
82,974	18,287	77	497	112,101	70,585
-	-	-	-	1	5
1,541	377	-	-	1,965	1,814
441	-	-	-	1,676	1,927
-	-	-	-	16	16
3,025	-	-	-	8,825	5,618
3,025	-	-	-	8,825	5,618
87,981	18,665	77	497	124,768	80,042
$ 87,981	$ 18,665	$ 77	$ 497	$ 124,768	$ 80,042
$ 2,534	$ -	$ -	$ -	$ 2,589	$ 536
699	2,540	77	-	3,561	14,067
-	-	-	-	92	44
3,234	2,541	77	-	6,243	14,647
3,234	2,541	77	-	6,243	14,647
-	19,716	-	-	20,525	4,637
10,003	-	-	-	12,653	2,698
39,892	-	-	-	44,540	37,865
7,987	-	-	-	7,987	5,225
57,883	19,716	-	-	85,707	50,426
26,864	(3,591)	-	497	32,818	14,968
84,747	16,124	-0-	497	118,525	65,395
$ 87,981	$ 18,665	$ 77	$ 497	$ 124,768	$ 80,042

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	STATE PARK IMPROVEMENT FUND
REVENUES				
Taxes	$ -	$ 740	$ 2,289	$ -
From federal agencies	2,450	589	17	41
From local agencies	-	-	1	-
From licenses and permits	25,669	29	-	-
Miscellaneous	6,453	1,200	1	308
Total Revenues	34,573	2,559	2,310	350
EXPENDITURES				
Current:				
Conservation, recreation, and agriculture	86	509	13	-
Capital outlay	718	1,044	-	1,493
Total Expenditures	804	1,554	13	1,493
Excess of Revenues over (under) Expenditures	33,768	1,005	2,296	(1,143)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	-	-	-	-
Operating transfers in	102	5,730	-	3,153
Operating transfers out	(31,650)	(6,476)	(2,751)	(2,265)
Total Other Financing Sources (Uses)	(31,547)	(745)	(2,751)	887
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	2,220	259	(454)	(255)
Fund Balances (Deficit) - Beginning of fiscal year	7,858	1,511	807	5,208
Fund Balances (Deficit) - End of fiscal year	$ 10,079	$ 1,771	$ 353	$ 4,952

STATE RECREATIONAL LAND ACQUISITION TRUST FUND	WATER POLLUTION CONTROL BOND FUND	HAZARDOUS WASTE MANAGEMENT FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS	
				FISCAL YEAR ENDED	
				SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ -	$ 3,029	$ 5,380
77	-	-	-	3,176	1,840
-	-	-	-	1	1
-	-	-	-	25,698	23,523
34,571	1,932	-	499	44,966	39,104
34,649	1,932	-	499	76,874	69,850
-	6,152	25	-	6,787	2,035
11,841	-	-	-	15,097	11,115
11,841	6,152	25	-	21,885	13,151
22,808	(4,220)	(25)	499	54,988	56,698
-	32,875	-	-	32,875	-
6	-	-	-	8,994	9,421
(311)	-	-	(273)	(43,728)	(47,442)
(304)	32,875	-	(273)	(1,858)	(38,020)
22,503	28,655	(25)	225	53,130	18,677
62,243	(12,531)	25	272	65,395	46,717
$ 84,747	$ 16,124	$ -0-	$ 497	$ 118,525	$ 65,395

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ -	$ -	$ -	$ 765	$ 740	$ (25)
From federal agencies	700	2,450	1,750	400	589	189
From local agencies	-	-	-	-	-	-
From licenses and permits	20,475	25,669	5,194	26	29	3
Miscellaneous	7,681	6,453	(1,227)	845	1,200	355
Operating transfers in	-	102	102	5,909	5,730	(178)
Total Revenues and Other Sources	28,856	34,675	5,819	7,945	8,290	344
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT						
Natural Resources	33,125	32,593	532	8,541	8,137	404
Total Expenditures, Operating Transfers Out, and Encumbrances	33,125	32,593	532	8,541	8,137	404
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (4,269)	2,082	$ 6,351	$ (596)	153	$ 749
Reconciling Items:						
Encumbrances at September 30		138			106	
Funds not annually budgeted		-			-	
Net Reconciling Items		138			106	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		2,220			259	
FUND BALANCES (GAAP BASIS)						
Beginning balances (deficit)		7,858			1,511	
Ending balances (deficit)		$ 10,079			$ 1,771	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND			STATE RECREATIONAL LAND ACQUISITION TRUST FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,182	$ 2,289	$ 107	$ –	$ –	$ –	$ –	$ –	$ –
200	17	(182)	–	41	41	500	77	(422)
–	1	1	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
5	1	(3)	370	308	(61)	29,311	34,571	5,260
–	–	–	3,500	3,153	(346)	15	6	(8)
2,387	2,311	(76)	3,870	3,503	(366)	29,826	34,656	4,830
3,130	2,765	365	5,211	4,323	888	12,156	12,152	3
3,130	2,765	365	5,211	4,323	888	12,156	12,152	3
$ (743)	(454)	$ 289	$ (1,341)	(819)	$ 521	$ 17,669	22,503	$ 4,834
	–			564			–	
	–			–			–	
	–			564			–	
	(454)			(255)			22,503	
	807			5,208			62,243	
	$ 353			$ 4,952			$ 84,747	

This statement continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED				
	WATER POLLUTION CONTROL BOND FUND	HAZARDOUS WASTE MANAGEMENT FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND		
Statutory/Budgetary Basis	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES					
Taxes...............................	$ -	$ -	$ -	$ -	$ -
From federal agencies..............	-	-	-	-	-
From local agencies.................	-	-	-	-	-
From licenses and permits..........	-	-	-	-	-
Miscellaneous.......................	-	-	300	499	199
Operating transfers in..............	-	-	-	-	-
Total Revenues and Other Sources	-	-	300	499	199
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT					
Natural Resources................	-	-	300	273	26
Total Expenditures, Operating Transfers Out, and Encumbrances................	-	-	300	273	26
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)...	-	-	$ -	225	$ 225
Reconciling Items:					
Encumbrances at September 30......				-	
Funds not annually budgeted.......	28,655	(25)		-	
Net Reconciling Items..........	28,655	(25)		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)...........	28,655	(25)		225	
FUND BALANCES (GAAP BASIS)					
Beginning balances (deficit)........	(12,531)	25		271	
Ending balances (deficit)..........	$ 16,124	$ -0-		$ 497	

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,947	$ 3,029	$ 82
1,800	3,176	1,376
-	1	1
20,501	25,698	5,197
38,512	43,034	4,522
9,424	8,994	(429)
73,185	83,936	10,750
62,466	60,245	2,221
62,466	60,245	2,221
$ 10,718	23,690	$ 12,972
	809	
	28,630	
	29,439	
	53,130	
	65,395	
	$ 118,525	

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 1985

MICHIGAN EMPLOYMENT SECURITY ACT -- ADMINISTRATION FUND

This fund was created by P.A. 1 of 1936 (Extra Session). The fund derives most of its revenue from federal grants. When approved by the MES commission, transfers are made from the Michigan Employment Security Act (MESA) contingency fund (reported in the trust category) to this fund. The Legislature does not review the budget for this activity. As its name indicates, the administrative costs of this operation are accounted for in this fund.

Unemployment benefit payments to individuals are made directly by the agency from trust funds accumulated from employer premium payments. These activities are not reflected in the annual financial report. This activity is discussed in more detail in the footnote on the reporting entity.

MOTOR VEHICLE ACCIDENT CLAIMS FUND

The Motor Vehicle Accident Claims Fund, established by P.A. 198 of 1965, was financed by a $45 fee for uninsured motor vehicles. The purpose of this fund has been diminished by P.A. 294 of 1972. This act implemented "no fault" insurance in Michigan and requires that the owner of each motor vehicle registered in Michigan be covered by the insurance specified in the act. Since October 1, 1973, the effective date of this act, the $45 fee for uninsured motorists has not been collected.

Currently, revenues are derived from installment repayments by uninsured motorists for claims and/or court judgments and from interest earnings. Claim settlements and administrative costs are appropriated in the General Fund where they are incorporated in the Department of State's budget. Transfers are made from the Motor Vehicle Accident Claims Fund to the General Fund to defray the cost of claims and administration.

Claims which have been settled but unreimbursed by uninsured motorists found at fault amounted to $24.2 million at September 30, 1985. Of this amount, approximately $19.3 million is anticipated to be uncollectable. Because of the poor history of recoveries of such settlements this amount has not been reflected in the financial statements by the recognition of revenue and the corresponding amount receivable.

SAFETY EDUCATION AND TRAINING FUND

This fund was established by P.A. 24 of 1977, as amended under the jurisdiction of the Department of Labor. P.A. 24 imposes an annual levy on each insurance carrier licensed to do workers' disability compensation business in the State, from the State Accident Fund, and from each self-insured employer. The act provides for deposit of these assessments in the Safety Education and Training Fund to finance the Safety Education and Training Division of the Department of Labor. These funds are annually appropriated by the Legislature for operations. These expenditures occur in the General Fund and are financed by operating transfers from this fund.

STATE CONSTRUCTION CODE FUND

The State Construction Code Fund was created by P.A. 371 of 1980. Fees established by the Director of the Department of Labor, as approved by the Construction Code Commission, for acts and services performed by the commission are deposited in the fund. The fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the bureau of construction codes and related indirect overhead expenditures. These expenditures are recorded in the General Fund with an operating transfer being made from this fund to finance them.

MICHIGAN JUSTICE TRAINING FUND

The Michigan Justice Training Fund was created by P.A. 302 of 1982 to support the activites of the Michigan Justice Training Commission. The Commission distributes funds to governmental units, including the Michigan Department of State Police, to provide for criminal justice training of police officers. Funds are derived by an assessment on certain civil infractions. The act states that the Commission and fund will cease to exist as of October 12, 1987.

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

The Homeowner Construction Lien Recovery Fund was established by P.A. 497 of 1980 to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers. Expenditures are recorded in the General Fund with financing provided by operating transfers from the fund.

STATE LOTTERY FUND

P.A. 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Section 4 of Article V of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget.

Lottery Fund revenue is generated primarily by the sale of lottery tickets. P.A. 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket sales be allocated for prize awards. Prizes awarded fall into two classifications, those which are paid in one lump sum and those which are paid on an installment basis. Most of the prizes awarded are of the lump sum payment type. The installment payments involve an initial payment with the balance spread over more than one year. The deferred payments are recorded at the present value of the future payments discounted at a rate of 6% on prizes awarded prior to October, 1984. This was changed to 7.5% on prizes awarded October, 1984 through August 27, 1985 and changed to 8% on prizes awarded August 28, 1985 and thereafter. The discount is amortized against income over the installment term. The State Treasurer invests funds equivalent to the discounted value of installment payments and the Lottery Fund is credited with the interest earnings. The net revenue remaining from the sale of lottery tickets after allocation for prize awards and encumbrances is transferred to the School Aid Fund except for net revenues from bingo and charity game tickets, which are transferred to the General Fund.

Revenues from the sale of subscription tickets are recognized in the period during which the related drawings are held. Revenue from the sale of other lottery tickets, commissions to agents and banks, and allocation of revenue to the prize reserve are recognized in the period during which the tickets are sold. Prize awards are transferred to the obligation account from the prize reserve when the drawings are held. Other operating expenditures are recognized in the period during which the expenditure is incurred.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 1985

(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 64	$ -	$ 2
Equity in Common Cash	9,157	1,694	7,821
Amounts due from other funds	-	16	149
Amounts due from federal agencies	1,935	-	-
Inventories	-	-	-
Other current assets:			
Miscellaneous	265	-	100
Total other current assets	265	-	100
Total Current Assets	11,423	1,710	8,074
Investments	-	-	-
Total Assets	$ 11,423	$ 1,710	$ 8,074
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 120	$ -	$ 2
Accounts payable and other liabilities	6,195	-	-
Amounts due to other funds	1,394	-	-
Deferred revenue	3,284	-	-
Total Current Liabilities	10,994	-	2
Long-Term Liabilities:			
Prize awards payable	-	-	-
Total Liabilities	10,994	-	2
Fund Balances:			
Reserves:			
Reserved for encumbrances	103	-	-
Reserved for unencumbered restricted revenue balances (except capital outlay)	305	-	-
Reserved for unencumbered capital outlay and work projects	20	-	-
Reserved for prize awards	-	-	-
Total reserves	429	-	-
Unreserved	-	1,710	8,071
Total Fund Balances	429	1,710	8,071
Total Liabilities and Fund Balances	$ 11,423	$ 1,710	$ 8,074

STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE LOTTERY FUND	TOTALS	
				SEPTEMBER 30, 1985	SEPEMBER 30, 1984
$ 72	$ 1	$ 22	$ 2,000	$ 2,163	$ 1,752
1,628	4,136	2,619	46,149	73,207	21,240
24	-	51	959	1,201	274
-	-	-	-	1,935	10,207
-	-	-	90	90	181
28	397	-	15,524	16,316	12,334
28	397	-	15,524	16,316	12,334
1,753	4,534	2,694	64,723	94,916	45,991
-	-	-	76,621	76,621	50,185
$ 1,753	$ 4,534	$ 2,694	$ 141,345	$ 171,537	$ 96,176
$ -	$ -	$ -	$ 363	$ 488	$ 1,093
4	1,798	-	26,447	34,446	31,363
-	-	-	104	1,498	1,163
-	-	-	5,814	9,098	6,225
5	1,798	-	32,729	45,532	39,845
-	-	-	107,507	107,507	36,207
5	1,798	-	140,237	153,039	76,053
-	-	-	153	257	802
-	-	-	-	305	2,339
-	-	-	-	20	39
-	-	-	954	954	2,434
-	-	-	1,108	1,537	5,615
1,748	2,736	2,693	-	16,960	14,508
1,748	2,736	2,693	1,108	18,498	20,123
$ 1,753	$ 4,534	$ 2,694	$ 141,345	$ 171,537	$ 96,176

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	MOTOR VEHICLE ACCIDENT CLAIMS FUND	SAFETY EDUCATION AND TRAINING FUND
REVENUES			
From federal agencies	$ 106,941	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	65	627	3,193
Total Revenues	107,007	627	3,193
EXPENDITURES			
Current:			
General government	-	-	-
Labor, commerce, and regulatory	121,022	-	-
Lottery prize awards	-	-	-
Capital outlay	7	-	-
Debt service:			
Capital lease payments	3,129	-	-
Total Expenditures	124,159	-	-
Excess of Revenues over (under) Expenditures	(17,151)	627	3,193
OTHER FINANCING SOURCES (USES)			
Capital lease acquisitions	422	-	-
Operating transfers in	18,860	-	-
Operating transfers out	(4,511)	(550)	(2,296)
Total Other Financing Sources (Uses)	14,771	(550)	(2,296)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,380)	77	897
Fund Balances - Beginning of fiscal year	2,809	1,633	7,174
Fund Balances - End of fiscal year	$ 429	$ 1,710	$ 8,071

				TOTALS	
				FISCAL YEARS ENDED	
STATE CONSTRUCTION CODE FUND	MICHIGAN JUSTICE TRAINING FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE LOTTERY FUND	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ -	$ 106,941	$ 114,405
3,498	-	-	931	4,430	3,813
85	4,402	519	893,203	902,098	598,966
3,584	4,402	519	894,136	1,013,471	717,185
-	3,481	-	101,534	105,015	65,408
-	-	-	-	121,022	136,140
-	-	-	433,460	433,460	290,684
-	-	-	-	7	-
-	-	-	-	3,129	-
-	3,481	-	534,995	662,636	492,233
3,584	921	519	359,141	350,835	224,951
-	-	-	-	422	-
1	-	-	3	18,867	27,334
(2,732)	(659)	(158)	(360,841)	(371,750)	(246,993)
(2,730)	(659)	(158)	(360,838)	(352,461)	(219,659)
853	262	361	(1,697)	(1,625)	5,292
894	2,473	2,332	2,805	20,123	14,831
$ 1,748	$ 2,736	$ 2,693	$ 1,108	$ 18,498	$ 20,123

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	MOTOR VEHICLE ACCIDENT CLAIMS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From licenses and permits	$ -	$ -	$ -
Miscellaneous	654	627	(27)
Operating transfers in	-	-	-
Total Revenues and Other Sources	654	627	(27)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	1,412	550	861
Labor	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,412	550	861
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (757)	77	$ 834
Reconciling Items:			
Encumbrances at September 30		-	
Net effect of basis differences		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		77	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,633	
Ending balances (GAAP Basis)		$ 1,710	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND			MICHIGAN JUSTICE TRAINING FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 2,827	$ 3,498	$ 671	$ -	$ -	$ -
2,824	3,193	369	13	85	72	4,720	4,402	(317)
-	-	-	-	1	1	-	-	-
2,824	3,194	370	2,841	3,586	745	4,720	4,402	(317)
-	-	-	-	-	-	7.000	4,140	2,859
-	-	-	-	-	-	-	-	-
2,500	2,296	203	2,935	2,732	202	-	-	-
2,500	2,296	203	2,935	2,732	202	7,000	4,140	2,859
$ 323	897	$ 573	$ (94)	853	$ 947	$ (2,280)	262	$ 2,542
	-			-			-	
	-			-			-	
	-			-			-	
	-			-			-	
	897			853			262	
	7,174			894			2,473	
	$ 8,071			$ 1,748			$ 2,736	

This statement continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED		
	MICHIGAN EMPLOYMENT SECURITY ACT ADMINISTRATION FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	STATE LOTTERY FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES			
From licenses and permits	$ -	$ -	$ -
Miscellaneous	-	-	-
Operating transfers in	-	-	-
Total Revenues and Other Sources	-	-	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	-	-	-
State	-	-	-
Labor	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/ budgetary basis)	-	-	-
Reconciling Items:			
Encumbrances at September 30	-	-	-
Net effect of basis differences	-	-	-
Funds not annually budgeted	(2,380)	361	(1,697)
Net Reconciling Items	(2,380)	361	(1,697)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(2,380)	361	(1,697)
FUND BALANCES (GAAP BASIS)			
Beginning balances	2,809	2,332	2,805
Ending balances (GAAP Basis)	$ 429	$ 2,693	$ 1,108

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,827	$ 3,498	$ 671
8,212	8,308	96
-	3	3
11,040	11,811	771
7,000	4,140	2,859
1,412	550	861
5,435	5,029	406
13,848	9,720	4,127
$ (2,808)	2,090	$ 4,898
	-	
	-	
	(3,716)	
	(3,716)	
	(1,625)	
	20,123	
	$ 18,498	

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STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - STATE AUTHORITIES

FISCAL YEAR ENDED - September 30, 1985

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (state buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the general long-term obligations account group.

The special revenue fund, which accounts for construction costs for higher education projects, reports bond proceeds as an "other financing source," investment revenue earned during construction as "miscellaneous revenue," and construction expenditures as grant expenditures. Operating transfers out reflect transfers to the debt service fund for debt service during construction and the transfer of assets remaining after a project's completion to the debt service fund.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the Michigan Higher Education Facilities Authority for the purpose of assisting institutions of higher education in financing their facilities. Reflected herein is the financing provided through services to the institutions and expenditures related to trustee fees. Because of the limited activity of this authority, administrative costs are absorbed by a portion of a General Fund appropriation within the Department of Education.
The Authority consists of an eleven member commission, nine of whom are appointed by the Governor with the advice and consent of the Senate and two of whom are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget).

MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY

The Michigan Family Farm Development Authority was created by P.A. 220, of 1982 to assist beginning farmers in financing the purchase of agricultural land and equipment. Members of the Authority are appointed by the Governor. Financing for the loans to beginning farmers is provided by issuance of limited obligation revenue bonds. The Authority operations are financed by loan application and issuance fees and subsidies from the General Fund as appropriated within the Department of Agriculture.

MICHIGAN JOB DEVELOPMENT AUTHORITY

The Michigan Job Development Authority was organized under P.A. 301 of 1975, as amended to alleviate and prevent unemployment in Michigan by assisting industrial business enterprises in obtaining financing for capital improvements. Members of the Authority are appointed by the Governor. In 1985-86, per P.A. 270 of 1984, the Authority will be merged with the Michigan Economic Development Authority and will be reported as the Michigan Strategic Fund.

MACKINAC BRIDGE AUTHORITY

The Authority was created by Act 21, P.A. 1950. Act 214, P.A. 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the operation and maintenance of the bridge is provided by fares, earnings on investments, and transfers from the Michigan Transportation Fund and the State Trunkline Fund as appropriated by the Legislature. As explained in Note #21, after the bonds used to finance the bridge are retired (which is expected to occur during fiscal year 1985 - 86) excess revenues will be transferred to the Michigan Transportation and State Trunkline funds until such time as transfers to the Authority have been reimbursed. Debt service transactions are reflected in a debt service fund and bonds payable are recorded in the general long-term obligations account group. The Authority has a June 30 fiscal year-end.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - STATE AUTHORITIES
SEPTEMBER 30, 1985
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 21	$ 58
Amounts due from local units	-	57	-
Investments	81,484	-	-
Other current assets:			
Interest receivable on investments	3,234	-	-
Miscellaneous	-	1	-
Total other current assets	3,234	1	-
Total Current Assets	84,718	80	58
Investments	54,746	-	-
Total Assets	$ 139,465	$ 80	$ 58
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ 27,085	$ 3	$ -
Amounts due to other funds	-	-	32
Deferred revenue	-	-	-
Total Current Liabilities	27,085	3	32
Long-Term Liabilities:			
Advances from other funds	16,846	-	-
Total Liabilities	43,932	3	32
Fund Balances:			
Reserves:			
Reserved for future construction and debt retirement	95,532	-	-
Total reserves	95,532	-	-
Unreserved	-	77	25
Total Fund Balances	95,532	77	25
Total Liabilities and Fund Balances	$ 139,465	$ 80	$ 58

MICHIGAN JOB DEVELOPMENT AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS	
		SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 109	$ 213	$ 402	$ 399
-	-	57	37
1,645	1,593	84,722	63,015
-	-	3,234	4,762
13	60	75	71
13	60	3,309	4,834
1,767	1,867	88,493	68,286
-	-	54,746	123,131
$ 1,767	$ 1,867	$ 143,239	$ 191,418
$ -	$ 292	$ 27,381	$ 14,411
71	-	104	5,312
-	62	62	58
71	355	27,548	19,783
-	-	16,846	-
71	355	44,395	19,783
-	1,020	96,552	170,255
-	1,020	96,552	170,255
1,696	492	2,291	1,379
1,696	1,512	98,843	171,635
$ 1,767	$ 1,867	$ 143,239	$ 191,418

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - STATE AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
REVENUES			
From services..........................	$ -	$ 23	$ 28
From licenses and permits..............	-	-	-
Miscellaneous..........................	17,059	4	2
Total Revenues.....................	17,059	27	30
EXPENDITURES			
Current:			
General government.................	137	-	-
Education..........................	55,326	10	-
Conservation, recreation, and agriculture......................	-	-	120
Labor, commerce, and regulatory......	-	-	-
Transportation.....................	-	-	-
Capital outlay........................	-	-	-
Total Expenditures.................	55,464	10	120
Excess of Revenues over (under) Expenditures.....................	(38,404)	16	(89)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues.............	-	-	-
Operating transfers in................	-	-	91
Operating transfers out...............	(35,559)	-	-
Total Other Financing Sources (Uses)	(35,559)	-	91
Cumulative Effect of Accounting Change..........................	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses After Accounting Change	(73,963)	16	1
Fund Balances - beginning of fiscal year as previously reported................	169,496	61	24
Effect of accounting change.............	-	-	-
Fund Balances - beginning of fiscal year - restated......................	169,496	61	24
Fund Balances - end of fiscal year.......	$ 95,532	$ 77	$ 25

		TOTALS	
		FISCAL YEARS ENDED	
MICHIGAN JOB DEVELOPMENT AUTHORITY	MACKINAC BRIDGE AUTHORITY	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 1,491	$ -	$ 1,542	$ 861
-	4,801	4,801	4,631
99	131	17,297	19,725
1,590	4,933	23,641	25,219
-	-	137	61
-	-	55,337	63,599
-	-	120	110
399	-	399	416
-	2,920	2,920	2,263
-	-	-	3,597
399	2,920	58,915	70,047
1,191	2,012	(35,273)	(44,828)
-	-	-	101,684
-	3,917	4,008	3,990
(275)	(5,690)	(41,525)	(38,285)
(275)	(1,773)	(37,517)	67,389
-	-	-	60
915	238	(72,791)	22,621
780	1,273	171,635	-
-	-	-	149,014
780	1,273	171,635	149,014
$ 1,696	$ 1,512	$ 98,843	$ 171,635

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER

FISCAL YEAR ENDED SEPTEMBER 30, 1985

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, which is commonly referred to as the Budget Stabilization Fund, was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times. Funds flow from this fund to the General Fund in times of declining economy. Subject to certain limits, funds can also be transferred out to help finance capital outlay projects.

Amounts transferred to the fund are limited to actual appropriations made annually by the Legislature. Such appropriations may be based on a formula that is dependent on the annual growth rate as defined by the statute.

Transfers from the fund are based upon a formula which is dependent upon unemployment rates; however, under certain conditions the Legislature may override the formula and make appropriations from the fund. In the event that the fund balance at year end exceeds 25% of the actual General Fund general purpose revenue for the fiscal year, the law provides that the excess be rebated on the individual income tax returns filed in the following fiscal year.

MICHIGAN VETERANS' BENEFIT (TRUST) FUND

This fund was created by P.A. 9 of 1946 (First Extra Session). The purpose of the fund is to account for the earnings of the fund, consisting primarily of interest earned on a $50.0 million trust corpus, and the distribution of such earnings to veterans and their beneficiaries for various assistance programs and for the administrative costs of the fund. The trust corpus has periodically, by statute, been transferred (in 1959 and 1976) to the General Fund. The statutes authorizing these transfers have provided for an annual repayment schedule from the General Fund so that the principal is restored and the annual operating needs of the trust fund are met. The fund is administered by a six member board of trustees.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to furnish aid to school districts and school employees' retirement. Financing is provided by the constitutional dedication of sixty percent of total State sales tax revenue and statutory levies of a one mill cigarette tax and a four percent liquor excise tax, an annual transfer from the General Fund, and a transfer from the State Lottery Fund equal to the net revenue remaining after allocation for prize awards and encumbrances. Payments of aid to school districts are based on a statutory formula which provides that if dedicated tax revenues are not sufficient, the deficiency is to be appropriated from the General Fund.

VIETNAM VETERAN ERA BONUS FUND

This fund was established by P.A. 370 of 1974, as amended, to account for the proceeds of $205 million authorized general obligation bonds approved by the people in November, 1974, to provide a service bonus to veterans, or their beneficiaries, who served in the armed forces of the United States between January 1, 1961 and September 1, 1973. Applications for benefits under this act were to be filed or received before September 30, 1980. Administrative costs for processing all bonus payments are in the General Fund.

The payment of service bonuses has been prolonged due to a federal court action which resulted in the redetermination of all denied claims and the determination of additional new claims. Completion of the activity of this fund is anticipated to occur during the 1985-86 fiscal year.

SCHOOL BOND LOAN FUND

The 1963 Constitution (Art. IX, Sec. 16) and P.A. 74 of 1955 authorized the issuance of State bonds to provide funds for making loans to school districts for the payment of principal and interest on school bonds under prescribed circumstances. The proceeds of State borrowing are credited to the School Bond Loan Fund and loans to school districts are made from the fund.

STATE OF MICHIGAN

DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 1985

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund child abuse and neglect prevention activities in the State.

Funding is derived from taxpayer designation of a portion of the tax refund on the individual's income tax return, other gifts, and interest earnings. One half of the tax refund designations are placed in a trust corpus. When the total assets of the fund exceed $20 million, the earnings credited to the fund will be available for disbursement. Until that time, the amount available for disbursement is limited to 1/2 of tax refund designations, all additional donations, and interest earnings credited to the fund in previous years.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER
SEPTEMBER 30, 1985
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 2	$ -
Equity in Common Cash	333,950	19,818	-
Taxes, interest, and penalties receivable (at net)	-	-	99,542
Amounts due from other funds	6,969	568	-
Amounts due from federal agencies	-	-	-
Amounts due from local units	-	506	-
Other current assets:			
Miscellaneous	-	49	-
Total other current assets	-	49	-
Total Current Assets	340,919	20,945	99,542
Taxes, interest, and penalties receivable (at net)	-	-	2,927
Advances to other funds	-	2,283	-
Amounts due from local units	-	-	12,920
Total Assets	$ 340,919	$ 23,228	$ 115,390
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash	$ -	$ -	$ 99,124
Warrants outstanding	-	-	16
Accounts payable and other liabilities	-	311	400
Amounts due to other funds	-	-	-
Deferred revenue	-	-	-
Total Current Liabilities	-	312	99,542
Long-Term Liabilities:			
Deferred revenue	-	-	2,960
Total Liabilities	-	312	102,503
Fund Balances:			
Reserves:			
Reserved for encumbrances	-	-	-
Reserved for unencumbered restricted revenue balances (except capital outlay)	-	52	-
Reserved for noncurrent assets	-	2,283	12,887
Reserved for balance held in a trust capacity	-	18,316	-
Total reserves	-	20,652	12,887
Unreserved	340,919	2,263	-
Total Fund Balances	340,919	22,915	12,887
Total Liabilities and Fund Balances	$ 340,919	$ 23,228	$ 115,390

			TOTALS	
VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ 2	$ 3
1,396	746	1,222	357,134	20,824
-	-	-	99,542	93,645
-	-	23	7,561	16,739
-	-	-	-	28
-	-	-	506	14,158
-	-	2	52	54
-	-	2	52	54
1,396	746	1,248	464,799	145,454
-	-	-	2,927	3,296
-	-	-	2,283	2,446
-	-	-	12,920	2,311
$ 1,396	$ 746	$ 1,248	$ 482,931	$ 153,508
$ -	$ -	$ -	$ 99,124	$ 121,896
4	-	1	22	99
930	-	26	1,669	1,648
-	-	1	1	-
-	-	-	-	1,161
934	-	29	100,819	124,807
-	-	-	2,960	3,296
934	-	29	103,780	128,103
-	-	3	3	-
-	746	-	799	3,459
-	-	-	15,170	4,907
-	-	987	19,304	14,353
-	746	991	35,277	22,720
462	-	227	343,873	2,683
462	746	1,218	379,151	25,404
$ 1,396	$ 746	$ 1,248	$ 482,931	$ 153,508

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' BENEFIT (TRUST) FUND	SCHOOL AID FUND
REVENUES			
Taxes	$ -	$ -	$ 1,373,812
From federal agencies	-	-	33,000
From local agencies	-	-	-
Miscellaneous	30,819	1,628	175
Total Revenues	30,819	1,628	1,406,988
EXPENDITURES			
Current:			
General government	-	4,513	-
Education	-	-	2,191,772
Total Expenditures	-	4,513	2,191,772
Excess of Revenues over (under) Expenditures	30,819	(2,885)	(784,784)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	340,700	7,918	795,360
Operating transfers out	(34,200)	(715)	-
Total Other Financing Sources (Uses)	306,500	7,202	795,360
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	337,319	4,316	10,576
Fund Balances - Beginning of fiscal year	-0-	18,598	2,311
Equity transfers from other funds	3,600	-	-
Fund Balances - End of fiscal year	$ 340,919	$ 22,915	$ 12,887

			TOTALS	
			FISCAL YEARS ENDED	
VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ -	$ 1,373,812	$ 1,238,289
-	-	-	33,000	32,885
-	-	-	-	733
-	-	812	33,435	2,193
-	-	812	1,440,248	1,274,101
-	-	541	5,055	4,452
-	2,346	-	2,194,118	1,955,224
-	2,346	541	2,199,173	1,959,676
-	(2,346)	271	(758,925)	(685,575)
-	-	15	1,143,993	687,738
-	-	(5)	(34,921)	(997)
-	-	9	1,109,072	686,740
-	(2,346)	280	350,146	1,165
462	3,093	938	25,404	24,238
-	-	-	3,600	-
$ 462	$ 746	$ 1,218	$ 379,151	$ 25,404

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

Statutory/Budgetary Basis	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	-	-
Miscellaneous	34,200	30,819	(3,380)
Operating transfers in	348,700	340,700	(8,000)
Total Revenues and Other Sources	382,900	371,519	(11,380)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	34,200	34,200	-
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	34,200	34,200	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 348,700	337,319	$ (11,380)
Reconciling Items:			
Encumbrances at September 30		-	
Net effect of basis differences		-	
Funds not annually budgeted		-	
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		337,319	
FUND BALANCES (GAAP BASIS)			
Beginning balances		-0-	
Equity transfer from other funds		3,600	
Ending balances		$ 340,919	

MICHIGAN VETERANS' BENEFIT (TRUST) FUND			SCHOOL AID FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 1,371,904	$ 1,373,812	$ 1,908
-	-	-	34,989	33,000	(1,988)
1,221	1,628	407	-	175	175
7,918	7,918	-	850,647	795,360	(55,286)
9,139	9,546	407	2,257,540	2,202,348	(55,191)
4,619	5,229	(610)	-	-	-
-	-	-	2,191,772	2,191,772	-
4,619	5,229	(610)	2,191,772	2,191,772	-
$ 4,519	4,316	$ (202)	$ 65,767	10,576	$ (55,191)
	-			-	
	-			-	
	-			-	
	-			-	
	4,316			10,576	
	18,598			2,311	
	-			-	
	$ 22,915			$ 12,887	

This statement continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - OTHER (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND BUDGET	 ACTUAL	 VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ -	$ -	$ -
From federal agencies	-	-	-
Miscellaneous	779	812	33
Operating transfers in	-	15	15
Total Revenues and Other Sources	779	827	48
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Management and Budget	1,007	550	457
Education	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	1,007	550	457
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (228)	277	$ 505
Reconciling Items:			
Encumbrances at September 30		3	
Net effect of basis differences		-	
Funds not annually budgeted		-	
Net Reconciling Items		3	
Excess of Revenues and Other Sources over (under) Expenditures (GAAP Basis)		280	
FUND BALANCES (GAAP BASIS)			
Beginning balances		938	
Equity transfer from other funds		-	
Ending balances (GAAP Basis)		$ 1,218	

FUNDS NOT ANNUALLY BUDGETED		TOTALS		
VIETNAM VETERAN ERA BONUS FUND	SCHOOL BOND LOAN FUND			
ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ 1,371,904	$ 1,373,812	$ 1,908
-	-	34,989	33,000	(1,988)
-	-	36,200	33,435	(2,764)
-	-	1,207,265	1,143,993	(63,271)
-	-	2,650,358	2,584,241	(66,116)
-	-	39,826	39,979	(153)
-	-	2,191,772	2,191,772	-
-	-	2,231,599	2,231,752	(153)
-	-	$ 418,758	352,489	$ (66,269)
-	-		3	
-	-		-	
-	(2,346)		(2,346)	
-	(2,346)		(2,342)	
-	(2,346)		350,146	
462	3,093		25,404	
-	-		3,600	
$ 462	$ 746		$ 379,151	

STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND

P.A. 329 of 1966 established this fund to account for retiring bond issues of the Water Pollution Control Bond Fund and State Sewer Construction Fund. The Legislature appropriates funds from the General Fund to meet the bond principal and interest requirements and paying agent fees.

PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 108 of 1969 and services bond issues of the Public Recreation Bond Fund. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND

Created by P.A. 370 of 1974, the purpose of this fund is to account for the debt service of general obligation bonds which were issued to finance bonuses paid to veterans or their beneficiaries. Financing is provided by an annual appropriation in the General Fund.

COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, and services bond issues of the Comprehensive Transportation Bond Construction Fund. Financing of debt service requirements is provided by an annual appropriation in the Comprehensive Transportation Fund. Through fiscal year 1983-84, this fund serviced both Comprehensive Transportation Bonds, Series A, dated January 1, 1980 and Series B, dated May 1, 1981.

During fiscal year 1984-85, the State Department of Transportation completed an advance refunding transaction related to the Series B bonds. A new fund titled "1985 Comprehensive Transportation Refunding Bond and Interest Redemption Fund" was established to service the new bond issue. Financing of debt service requirements for the refunding bonds is provided by an annual appropriation in the Comprehensive Transportation Fund.

1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, and services bond issues of the 1983 State Trunkline Fund Bond Proceeds Fund. Financing of debt service requirements is provided by an annual appropriation in the State Trunkline Fund.

1984 COMPREHENSIVE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, and services bond issues of the 1984 Comprehensive Transportation Bond Proceeds Fund. Financing of debt service requirements is provided by an annual appropriation in the Comprehensive Transportation Fund.

1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, and services bond issues of the 1984 State Trunkline Fund Bond Proceeds Fund. Financing of debt service requirements is provided by an annual appropriation in the State Trunkline Fund.

1985 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of $57 million of comprehensive transportation refunding bonds. The proceeds of sale of the bonds were used for the purpose of providing funds to acquire United State government obligations to be used to refund the State of Michigan Comprehensive Transportation Bonds, Series B, dated May 1, 1981, and to pay the costs of issuance of the bonds.

The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

STATE OF MICHIGAN

DESCRIPTIONS OF DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND -- SERIES II THRU IX

P.A. 51 of 1951, as amended, created the authority to establish this fund. The various series were issued in varying amounts during the period from July, 1959 to July, 1962. Financing of debt service requirements is provided by an annual appropriation in the State Trunkline Fund.

SCHOOL LOAN BOND REDEMPTION FUND

P.A. 74 of 1955 established this fund. Monies in this fund are utilized for payment of interest and redemption of bonds issued to provide financing for loans to school districts. Funding is furnished by an annual appropriation from the General Fund and/or repayments of loans by school districts.

EXPRESSWAY BOND AND INTEREST REDEMPTION FUND

The State Treasurer is Fiscal Agent to the Department of Transportation and certain local units of government for funds constructing expressways and for servicing bonds issued for that purpose. In summary form, this fund presents the position of several expressway serial bond issues. Resources to finance the requirements for bond interest and redemption are provided by periodic payments from participating parties, earnings on investments, and operating transfers from other State funds. As of September 30, 1985, there are no outstanding bond issues serviced by this fund and the fund has consequently been terminated.

STATE PARK REVENUE BOND FUND

This fund was created pursuant to P.A. 149 of 1960 which initiated a State park improvement program by authorizing the Department of Natural Resources to issue up to $10 million of revenue dedicated bonds to finance land acquisition, construction, and improvement of State parks. P.A. 286 of 1967 increased the authorized amount of such bonds to $20 million.

P.A. 149 of 1960 as amended, also provides that park permit fees for motor vehicle entry into certain State parks be deposited with the State Treasurer who is designated as fiscal agent. Such proceeds are to be allocated in the following order of priority: debt service requirements, fiscal agent expenses, bond reserve, operations and park improvements as appropriated by the Legislature.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. Construction projects which are in process are reported in either a capital projects fund or a special revenue fund, balances related to completed projects are reported in this debt service fund, and bonds payable are included in the general long-term obligations account group.

Each project of the Authority is financed by specific callable bonds, the proceeds of which can only be used for construction and debt service on that project. For completed projects, the resources to finance bond interest and redemption are provided by operating transfers from the General Fund and from investments and earnings of this fund. During construction, debt service requirements are financed by transfers from the capital project or special revenue fund in which the project is accounted for. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service.

MACKINAC BRIDGE AUTHORITY

The Mackinac Bridge Authority was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge extending from the lower peninsula of Michigan to the upper peninsula. Financing for the construction of the bridge was provided by the issuance of $79.8 million of Series A bonds and $20.0 million of Series B bonds, both issued in 1954. Resources to finance the requirements for bond interest and redemption are earnings on investments and operating transfers from the Authority's special revenue fund. The ongoing operations of the Authority are reported in a special revenue fund and bonds payable are reflected in the general long-term obligations account group. The Authority is reported as of its fiscal year-end, which is June 30.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	WATER POLLUTION CONTRCL BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND	VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ -
Equity in Common Cash	-	-	-
Amounts due from other funds	-	-	-
Investments	-	-	-
Other current assets:			
Cash with fiscal agent	-	-	-
Interest receivable on investments	-	-	-
Total other current assets	-	-	-
Total Current Assets	-	-	-
Investments	-	-	-
Total Assets	$ -0-	$ -0-	$ -0-
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ -
Amounts due to other funds	-	-	-
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserves:			
Reserved for unencumbered restricted revenue balances (except capital outlay)	-	-	-
Reserved for noncurrent assets	-	-	-
Total reserves	-	-	-
Unreserved	-	-	-
Total Fund Balances	-0-	-0-	-0-
Total Liabilities and Fund Balances	$ -0-	$ -0-	$ -0-

COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1984 COMPREHENSIVE BOND AND INTEREST REDEMPTION FUND	1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1985 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND	MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND SERIES II THRU IX
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	1,569
2	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3	-	-	-	-	1,569
-	-	-	-	-	-
$ 3	$ -0-	$ -0-	$ -0-	$ -0-	$ 1,569
$ -	$ -	$ -	$ -	$ -	$ 1,569
2	-	-	-	-	-
2	-	-	-	-	1,569
2	-	-	-	-	1,569
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
$ 3	$ -0-	$ -0-	$ -0-	$ -0-	$ 1,569

This statement continued on next page.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS (Continued)
SEPTEMBER 30, 1985
(In Thousands)

	SCHOOL LOAN BOND REDEMPTION FUND	EXPRESSWAY BOND AND INTEREST REDEMPTION FUND	STATE PARK REVENUE BOND FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ -
Equity in Common Cash	2,607	-	-
Amounts due from other funds	-	-	4
Investments	-	-	4,559
Other current assets:			
Cash with fiscal agent	-	-	25
Interest receivable on investments	-	-	-
Total other current assets	-	-	25
Total Current Assets	2,607	-	4,589
Investments	-	-	-
Total Assets	$ 2,607	$ -0-	$ 4,589
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ -
Amounts due to other funds	-	-	-
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserves:			
Reserved for unencumbered restricted revenue balances (except capital outlay)	-	-	314
Reserved for noncurrent assets	-	-	-
Total reserves	-		314
Unreserved	2,607	-	4,274
Total Fund Balances	2,607	-0-	4,589
Total Liabilities and Fund Balances	$ 2,607	$ -0-	$ 4,589

STATE BUILDING AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS	
		SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 61	$ 11	$ 72	$ 2,335
-	-	4,177	5,137
-	-	7	1,724
24,116	3,146	31,822	19,631
-	-	25	384
1,264	-	1,264	1,336
1,264	-	1,290	1,720
25,443	3,157	37,371	30,549
53,551	-	53,551	54,018
$ 78,994	$ 3,157	$ 90,923	$ 84,568
$ 42	$ -	$ 1,611	$ 1,675
-	-	3	2,252
42	-	1,615	3,927
42	-	1,615	3,927
-	-	314	741
-	-	-	418
-	-	314	1,160
78,952	3,157	88,992	79,479
78,952	3,157	89,307	80,640
$ 78,994	$ 3,157	$ 90,923	$ 84,568

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	PUBLIC RECREATION BOND AND INTEREST REDEMPTION FUND	VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND
REVENUES			
From local agencies	$ -	$ -	$ -
From licenses and permits	-	-	-
Miscellaneous	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
Current:			
General government	-	-	-
Transportation	-	-	-
Debt Service:			
Bond principal retirement	11,000	4,000	27,000
Bond interest and fiscal charges	6,414	349	4,778
Transfer to escrow agent	-	-	-
Total Expenditures	17,414	4,349	31,778
Excess of Revenues over (under) Expenditures	(17,414)	(4,349)	(31,778)
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	-	-	-
Operating transfers in	17,414	4,349	31,778
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	17,414	4,349	31,778
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-
Fund Balances - Beginning of fiscal year as previously reported	-0-	-0-	-0-
Effect of Accounting Change	-	-	-
Fund Balances - Beginning of fiscal year - restated	-0-	-0-	-0-
Fund Balances - End of Fiscal Year	$ -0-	$ -0-	$ -0-

COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	1983 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1984 COMPREHENSIVE BOND AND INTEREST REDEMPTION FUND	1984 STATE TRUNKLINE FUND BOND AND INTEREST REDEMPTION FUND	1985 COMPREHENSIVE TRANSPORTATION REFUNDING BOND PROCEEDS FUND	MICHIGAN TRUNKLINE BOND AND INTEREST REDEMPTION FUND SERIES II THRU IX
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
5	-	-	-	-	-
5	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	169	-
2,020	4,945	465	1,765	-	15,310
11,684	12,223	5,765	4,979	-	953
-	-	-	-	56,349	-
13,705	17,168	6,230	6,744	56,518	16,263
(13,700)	(17,168)	(6,230)	(6,743)	(56,518)	(16,263)
-	-	-	-	56,518	-
13,569	17,123	6,230	6,455	-	16,263
-	(1)	-	-	-	-
13,570	17,122	6,230	6,455	56,518	16,263
(129)	(46)	-	(288)	-	-
130	46	-0-	288	-0-	-0-
-	-	-	-	-	-
130	46	-0-	288	-0-	-0-
$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

This statement continued on next page.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	SCHOOL LOAN BOND REDEMPTION FUND	EXPRESSWAY BOND AND INTEREST REDEMPTION FUND	STATE PARK REVENUE BOND FUND
REVENUES			
From local agencies	$ 7,304	$ 309	$ -
From licenses and permits	-	-	5,105
Miscellaneous	-	739	333
Total Revenues	7,304	1,048	5,439
EXPENDITURES			
Current:			
General government	-	36	-
Transportation	-	-	-
Debt Service:			
Bond principal retirement	8,600	1,010	750
Bond interest and fiscal charges	2,292	13	666
Transfer to escrow agent	-	-	-
Total Expenditures	10,892	1,059	1,416
Excess of Revenues over (under) Expenditures	(3,587)	(11)	4,022
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issue	-	-	-
Operating transfers in	3,062	-	-
Operating transfers out	-	(121)	(3,165)
Total Other Financing Sources (Uses)	3,062	(121)	(3,165)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(524)	(133)	857
Fund Balances - Beginning of fiscal year as previously reported	3,132	133	3,732
Effect of Accounting Change	-	-	-
Fund Balances - Beginning of fiscal year - restated	3,132	133	3,732
Fund Balances - End of Fiscal Year	$ 2,607	$ -0-	$ 4,589

STATE BUILDING AUTHORITY	MACKINAC BRIDGE AUTHORITY	TOTALS	
		FISCAL YEARS ENDED	
		SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ -	$ -	$ 7,613	$ 7,233
-	-	5,105	4,972
7,518	296	8,893	7,488
7,518	296	21,613	19,693
40	-	77	150
-	-	169	-
7,240	4,835	88,940	86,921
54,521	536	105,179	97,711
-	-	56,349	-
61,802	5,371	250,715	184,782
(54,284)	(5,074)	(229,102)	(165,088)
-	-	56,519	-
62,600	5,690	184,539	165,348
-	-	(3,288)	(4,236)
62,600	5,690	237,769	161,112
8,315	615	8,667	(3,976)
70,636	2,541	80,640	17,526
-	-	-	67,090
70,636	2,541	80,640	84,616
$ 78,952	$ 3,157	$ 89,307	$ 80,640

STATE OF MICHIGAN

DESCRIPTIONS OF CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

PUBLIC RECREATION BOND FUND

This fund was established by P.A. 108 of 1969 to account for the proceeds of $100.0 million general obligation public recreation bonds approved by the people in November, 1968. This approval was pursuant to Section 15, Article IX, of the 1963 Constitution and P.A. 257 of 1968.

P.A. 108 of 1969 also allocated $30.0 million for grants to local units for local community recreational projects and the balance of $70.0 million to the Department of Natural Resources to fund the State's recreation program.

DETROIT X-WAY CONSTRUCTION FUND

This fund was established by the Fiscal Agent to account for transactions relating to the 1959 contract between the Department of Transportation and the local units for the construction of expressways. The money in this fund was held in a segregated depository. Investments in securities were made separately for the fund. Costs of the limited access highways constructed under the joint effort have been financed by the proceeds from the sale of dedicated tax bonds, federal aid, and contributions from the participating parties. The last of the outstanding project bonds were redeemed during the 1983-84 fiscal year. Final distribution of funds remaining in this fund was made during the 1984-85 fiscal year.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. The five members of the Authority are appointees of the Governor. Authority projects which are in process but not yet completed are reflected in either a capital projects fund (State buildings) or a special revenue fund (buildings for institutions of higher education). Completed projects are in a debt service fund, and bonds payable are reported in the general long-term obligations account group.

This capital projects fund, which accounts for the construction of State projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "Capital outlay." Operating transfers out reflect transfers to the debt service fund for debt service during construction. Net assets remaining after the completion of a project are transferred to the debt service fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	PUBLIC RECREATION BOND FUND	DETROIT X-WAY CONSTRUCTION FUND	STATE BUILDING AUTHORITY	TOTALS	
				SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
ASSETS					
Current Assets:					
Cash and cash equivalents	$ -	$ -	$ 16	$ 16	$ -
Equity in Common Cash	629	-	-	629	947
Amounts due from federal agencies	24	-	-	24	521
Investments	-	-	1,458	1,458	19,230
Other current assets:					
Cash with fiscal agent	-	-	-	-	32
Interest receivable on investments	-	-	46	46	-
Land contracts outstanding	-	-	-	-	63
Total other current assets	-	-	46	46	96
Total Current Assets	653	-	1,521	2,174	20,795
Investments	-	-	1,193	1,193	-
Total Assets	$ 653	$ -0-	$ 2,714	$ 3,368	$ 20,795
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 11	$ -	$ -	$ 11	$ -
Accounts payable and other liabilities	31	-	1,052	1,083	517
Amounts due to other funds	-	-	-	-	1
Deferred revenue	-	-	-	-	-
Total Current Liabilities	42	-	1,052	1,095	519
Total Liabilities	42	-	1,052	1,095	519
Fund Balances:					
Reserves:					
Reserved for encumbrances	85	-	-	85	140
Reserved for unencumbered capital outlay	505	-	-	505	834
Total reserves	590	-	-	590	974
Unreserved	20	-	1,662	1,682	19,301
Total Fund Balances	610	-0-	1,662	2,273	20,275
Total Liabilities and Fund Balances	$ 653	$ -0-	$ 2,714	$ 3,368	$ 20,795

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	PUBLIC RECREATION BOND FUND	DETROIT X-WAY CONSTRUCTION FUND	STATE BUILDING AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1984
REVENUES					
From federal agencies	$ 51	$ -	$ -	$ 51	$ 96
Miscellaneous	-	282	345	627	2,126
Total Revenues	51	282	345	678	2,223
EXPENDITURES					
Current:					
Conservation, recreation, and agriculture	-	-	-	-	37
Transportation	-	3,846	-	3,846	-
Capital outlay	461	18	2,838	3,318	999
Total Expenditures	461	3,864	2,838	7,164	1,036
Excess of Revenues over (under) Expenditures	(410)	(3,582)	(2,493)	(6,486)	1,186
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issues	-	-	4,300	4,300	-
Operating transfers in	26	-	-	26	-
Operating transfers out	-	-	(144)	(144)	(824)
Total Other Financing Sources (Uses)	26	-	4,155	4,182	(824)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(383)	(3,582)	1,662	(2,303)	362
Fund Balances - Beginning of fiscal year	994	19,281	-0-	20,275	19,912
Equity transfer to other funds	-	(15,698)	-	(15,698)	-
Fund Balances - End of fiscal year	$ 610	$ -0-	$ 1,662	$ 2,273	$ 20,275

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STATE OF MICHIGAN

DESCRIPTIONS OF ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

LIQUOR PURCHASE REVOLVING FUND

The Liquor Purchase Revolving Fund was authorized by P.A. 259 of 1941. Under State monopoly, liquor is sold at retail or wholesale in State liquor stores and through specially designated distributors. The fund accounts for the sales of and the replenishing and transportation of the liquor stock into the various State liquor stores. Administrative, warehousing, and merchandising costs are appropriated in the fund.

Beginning with 1984-85, the "net income" of the fund is transferred to the General Fund in accordance with Public Act 431 of 1984. In prior years, the "free-cash" balance of the fund, as defined by statute, had been transferred to the General Fund at the end of each fiscal year.

MICHIGAN STATE FAIR REVOLVING FUND

This fund was created by Public Act 224 of 1962, which placed the fund under management of the Michigan State Fair Authority. P.A. 361 of 1978 abolished the Authority and transferred responsibility for the fair and the fund's management to the Department of Natural Resources.

The Department of Natural Resources has jurisdiction over the Michigan State Fair grounds in Detroit. Fund revenues are derived from the operation of the annual State Fair and other exhibits or events, leases, rentals or other charges for use of the buildings and grounds scheduled during the year.

In prior fiscal years, the free-cash balance of the fund, as defined by statute, was transferred to the General Fund at the end of each fiscal year, while any deficit was made up by the General Fund. Beginning with the 1984-85 fiscal year, Public Act 431 of 1984 provides only that the net income be transferred to the General Fund and deficits are no longer automatically made up by the General Fund.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND

P.A. 107 of 1979 provided for creation of a fund to account for the revenues and costs incurred in the publication of the department's magazine, publications, and related materials. Prior to the creation of this fund, these activities had been recorded as restricted revenue operations in the General Fund.

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Authority was organized under Public Act 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals for capital improvements or debt refinancing. The Act also empowers the Authority to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The Authority is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Public Health). The Authority has a June 30 fiscal year-end.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority within the Department of Education, for the purpose of making loans to qualified students attending participating institutions of higher education. Under a guarantee agreement entered into with the Michigan Higher Education Assistance Authority, all student loans are guaranteed as to 100% of principal and interest. The Authority may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. The Authority is governed by the sixteen members of the Michigan Higher Education Assistance Authority who are appointed by the Governor with the consent of the Senate. The Superintendent of Public Instruction, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority (MHEAA) was created by the Legislature through P.A. 77 of 1960 and is governed by a sixteen member board, each member being appointed by the Governor with the advice and consent of the Senate. The Authority is empowered to guarantee 100% of principal and interest on loans to persons attending eligible post-secondary educational institutions in Michigan. The federal government reimburses the Authority for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income. As explained in Note #4 to the general purpose financial statements, this is the first year in which MHEAA has been included in this report in its entirety.

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY

The Michigan Economic Development Authority was created by P.A. 70 of 1982 to encourage economic development in the State. The Authority is authorized to issue limited obligation debt and to provide or insure loans to finance development projects. The Authority also receives certain oil and gas related revenues received through the Heritage Trust Fund (an agency fund). Part of those revenues are used for research center grants. Members of the Authority are appointees of the Governor. In 1985-86, per P.A. 270 of 1984, the Authority will be merged with the Job Development Authority, and will be reported as the Michigan Strategic Fund.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority was created by P.A. 346 of 1966, as amended, to issue notes and bonds to finance housing for sale or rental to families with low and moderate incomes and to finance home improvements. Members of the Authority are appointed by the Governor. The Authority has a June 30 fiscal year-end.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,857	$ 567	$ -	$ 556
Equity in Common Cash	6,918	-	134	-
Amounts due from other funds	-	-	-	-
Amounts due from federal agencies	-	-	-	-
Inventories	73,742	-	511	-
Investments	-	-	-	-
Other current assets:				
Mortgage notes/loans receivable	-	-	-	95,000
Interest receivable	-	-	-	38,261
Miscellaneous	723	269	89	8,972
Total other current assets	723	269	89	47,233
Total Current Assets	86,242	836	736	142,789
Mortgage notes/loans receivable	-	-	-	918,968
Investments	-	-	-	464,690
Property, plant, and equipment:				
Land	-	6,901	-	-
Buildings and equipment	9,993	15,617	125	-
Historical objects	-	-	-	-
Construction in progress	-	-	-	-
Allowance for depreciation	(4,299)	(7,267)	(79)	-
Total property, plant, and equipment	5,694	15,251	45	-
Other noncurrent assets	-	-	-	-
Total Assets	$ 91,936	$ 16,087	$ 781	$ 1,526,447
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Liability to Common Cash	$ -	$ 688	$ -	$ -
Warrants outstanding	223	91	2	-
Accounts payable and other liabilities	46,786	852	177	16,529
Amounts due to other funds	320	92	5	-
Bonds and notes payable	-	-	-	37,516
Interest payable	-	-	-	41,249
Deferred revenue	8	-	1,122	-
Escrow funds	-	-	-	-
Total Current Liabilities	47,339	1,724	1,308	95,294
Long-Term Liabilities:				
Bonds and notes payable	-	-	-	1,454,720
Unamortized premium (discount)	-	-	-	(28,794)
Other long-term liabilities	3,421	110	38	-
Total Liabilities	50,760	1,835	1,346	1,521,220
Fund Equity:				
Retained earnings - undesignated	41,175	14,252	(564)	5,227
Retained earnings - designated	-	-	-	-
Total Fund Equity (Deficit)	41,175	14,252	(564)	5,227
Total Liabilities and Fund Equity	$ 91,936	$ 16,087	$ 781	$ 1,526,447

*1984 column does not include amounts related to the Michigan Higher Education Assistance Authority, for which prior year numbers are not available.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS SEPTEMBER 30, 1985	TOTALS SEPTEMBER 30, 1984*
$ 7,332	$ -	$ 760	$ 69,209	$ -	$ 83,284	$ 77,827
-	33,044	-	-	-	40,097	2,171
-	661	-	86	-	749	107
966	5,118	-	-	-	6,084	1,884
-	-	186	-	-	74,440	55,726
44,094	3,150	480	-	336,034	478,759	361,527
-	-	-	657	-	38,918	39,453
3,725	63	1	419	32,658	45,839	40,327
523	-	10	-	4,224	5,841	4,752
4,248	63	12	1,076	36,882	90,599	84,533
56,642	42,038	1,440	70,373	372,916	774,014	583,777
174,229	599	-	11,507	1,518,907	2,624,212	2,402,547
6,896	-	-	-	293,364	764,950	616,858
-	-	225	-	-	7,126	7,126
-	-	3,812	-	-	29,548	27,008
-	-	325	-	-	325	325
-	-	2	-	-	2	459
-	-	(1,117)	-	-	(12,763)	(11,709)
-	-	3,249	-	-	24,240	23,210
973	-	-	-	4,519	5,492	5,085
$ 238,742	$ 42,638	$ 4,689	$ 81,881	$ 2,189,706	$ 4,192,910	$ 3,631,479
$ -	$ -	$ -	$ -	$ -	$ 688	$ -
-	538	-	-	-	855	431
159	2,532	55	-	5,928	73,020	45,338
57	667	-	-	-	1,143	120
105,000	-	25	3,980	60,110	206,631	121,077
5,110	-	5	273	49,943	96,581	84,051
-	14,161	-	-	4,208	19,500	9,030
-	-	-	-	100,867	100,867	87,035
110,327	17,899	85	4,253	221,056	499,288	347,084
87,982	-	430	24,600	1,871,773	3,439,505	3,089,480
-	-	-	-	(22,658)	(51,452)	(46,696)
-	4,345	-	-	901	8,816	3,227
198,309	22,245	515	28,853	2,071,072	3,896,158	3,393,096
5,764	17,391	-	46,359	16,437	146,043	109,539
34,668	3,001	4,174	6,667	102,197	150,708	128,844
40,432	20,393	4,174	53,027	118,634	296,751	238,383
$ 238,742	$ 42,638	$ 4,689	$ 81,881	$ 2,189,706	$ 4,192,910	$ 3,631,479

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY
OPERATING REVENUES:				
Operating revenues	$ 430,095	$ 2,861	$ 1,434	$ -
Interest income on loans	-	-	-	83,427
Investment revenue (net)	-	-	-	54,190
Miscellaneous:				
Federal revenues	-	-	-	-
Financing fees	-	-	-	-
Other	-	-	-	1,005
Total miscellaneous	-	-	-	1,005
Total Operating Revenues	430,095	2,861	1,434	138,622
OPERATING EXPENSES:				
Salaries, wages, and other administrative expenses	31,854	3,844	1,649	1,155
Interest expense	-	-	-	133,879
Depreciation	467	521	21	-
Purchases for resale	338,457	-	-	-
Other operating expenses:				
Provision for possible losses on mortgage loans	-	-	-	-
Amortization of deferred issue costs	-	-	-	-
Miscellaneous	-	-	-	160
Total other operating expenses	-	-	-	160
Total Operating Expenses	370,779	4,366	1,671	135,194
Operating Income (Loss)	59,315	(1,504)	(236)	3,428
NONOPERATING REVENUES (EXPENSES):				
Interest revenue (expense)	-	(81)	6	-
Mineral rights revenue	-	-	-	-
Specific tax on spirits	7,498	-	-	-
Gain (loss) on disposal of fixed assets	-	-	(3)	-
Research center grants	-	-	-	-
Other nonoperating revenues (expenses)	-	-	-	-
Total Nonoperating Revenues (Expenses)	7,498	(81)	2	-
Income (Loss) Before Operating Transfers	66,814	(1,586)	(233)	3,428
OPERATING TRANSFERS:				
Operating transfers in	14	1,490	-	-
Operating transfers out	(66,828)	(60)	(69)	-
Total Operating Transfers In (Out)	(66,814)	1,429	(69)	-
Net Income (Loss) Before Accounting Change	-0-	(156)	(303)	3,428
Cumulative Effect of accounting change	-	-	-	-
Net Income (Loss) after accounting change	-0-	(156)	(303)	3,428
Retained Earnings - Beginning of fiscal year - as previously reported	41,175	14,408	(261)	1,799
Effect of accounting change	-	-	-	-
Retained Earnings - Beginning of fiscal year - restated	41,175	14,408	(261)	1,799
Retained Earnings - End of Fiscal Year	$ 41,175	$ 14,252	$ (564)	$ 5,227

*1984 column does not include amounts related to the Michigan Higher Education Assistance Authority for which prior year numbers are not available.

					TOTALS FISCAL YEARS ENDED	
MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984*
$ -	$ 7,964	$ 1,401	$ -	$ -	$ 443,757	$ 414,297
13,014	-	-	706	133,935	231,082	199,823
8,013	3,094	-	6,678	48,091	120,067	95,643
4,992	37,553	-	-	2,647	45,193	9,179
1,135	-	-	-	2,505	3,640	3,277
-	-	-	18	178	1,201	1,081
6,128	37,553	-	18	5,330	50,035	13,537
27,156	48,612	1,401	7,403	187,356	844,942	723,302
2,814	2,768	2,307	823	10,889	58,106	53,069
19,215	-	-	3,740	155,106	311,940	270,810
-	-	153	-	-	1,164	1,010
-	-	8	-	-	338,466	322,520
-	-	-	-	2,045	2,045	1,002
1,526	-	-	-	212	1,738	1,923
897	43,557	216	-	2,671	47,502	4,003
2,423	43,557	216	-	4,928	51,285	6,928
24,453	46,326	2,685	4,564	170,923	760,964	654,340
2,702	2,286	(1,283)	2,838	16,432	83,978	68,962
-	-	49	-	-	(25)	14
-	-	-	19,000	-	19,000	14,000
-	-	-	-	-	7,498	7,084
-	-	-	-	-	(3)	-
-	-	-	(5,000)	-	(5,000)	(4,000)
(58)	-	25	-	-	(32)	25
(58)	-	75	14,000	-	21,436	17,124
2,644	2,286	(1,208)	16,838	16,432	105,415	86,087
-	-	1,057	-	-	2,563	3,179
-	-	-	(145)	(612)	(67,716)	(22,651)
-	-	1,057	(145)	(612)	(65,153)	(19,472)
2,644	2,286	(151)	16,693	15,820	40,261	66,615
-	-	-	-	-	-	(3,526)
2,644	2,286	(151)	16,693	15,820	40,261	63,088
37,787	-	4,325	36,333	102,814	238,383	18,883
-	18,106	-	-	-	18,106	156,411
37,787	18,106	4,325	36,333	102,814	256,489	175,294
$ 40,432	$ 20,393	$ 4,174	$ 53,027	$ 118,634	$ 296,751	$ 238,383

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY
SOURCES OF FUNDS:				
From operations:				
Net income (loss)......................	$ -0-	$ (156)	$ (303)	$ 3,428
Items not requiring (providing) working capital:				
Depreciation........................	467	521	21	-
Compensated absences - long-term portion.........................	321	5	16	-
Provisions for losses on mortgage loans...................	-	-	-	-
Amortization of deferred items.....	-	-	-	-
Loss (gain) on disposal of fixed assets...........................	-	-	3	-
Contributed fixed assets included in operating transfers...........	-	(1,245)	-	-
Working Capital Provided (Used) From Operations....................	789	(874)	(261)	3,428
Proceeds from bonds and notes sold.......	-	-	-	206,821
Principal repayments on loans............	-	-	-	45,711
Sale of fixed assets....................	-	-	10	-
Decrease in noncurrent investments.......	-	-	-	-
Working Capital Provided (Used).......	789	(874)	(250)	255,960
Total Sources (Uses) of Funds.........	$ 789	$ (874)	$ (250)	$ 255,960
APPLICATION OF FUNDS:				
Increase in noncurrent investments (net).	$ -	$ -	$ -	$ 78,239
New loans issued.........................	-	-	-	146,191
Decrease in long-term bonds and notes payable............................	-	-	-	30,806
Increase in other noncurrent assets......	- -	-	-	-
Acquisition of fixed assets.............	879	14	-	-
Net increase (decrease) in working capital..............................	(90)	(889)	(250)	724
Total Application of Funds............	$ 789	$ (874)	$ (250)	$ 255,960
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents................	$ 2,577	$ 171	$ (14)	$ 43
Equity in Common Cash....................	5,385	(1,162)	(30)	-
Amounts due from other funds.............	-	-	(3)	-
Amounts due from federal agencies........	-	-	-	-
Inventories..............................	18,735	-	(84)	-
Investments..............................	-	-	-	7,000
Other current assets.....................	(69)	87	17	1,311
Warrants outstanding.....................	92	18	3	-
Accounts payable and other liabilities...	(26,486)	35	90	579
Amounts due to other funds...............	(320)	(41)	(2)	-
Bonds and notes payable - current........	-	-	-	(2,794)
Interest payable.........................	-	-	-	(5,415)
Deferred revenue.........................	(5)	-	(226)	-
Escrow funds.............................	-	-	-	-
Net Increase (Decrease) in Working Capital...........................	$ (90)	$ (889)	$ (250)	$ 724

*1984 column does not include amounts related to the Michigan Higher Education Assistance Authority, for which prior year numbers are not available.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN ECONOMIC DEVELOPMENT AUTHORITY	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS	
					FISCAL YEARS ENDED	
					SEPTEMBER 30, 1985	SEPTEMBER 30, 1984*
$ 2,644	$ 2,286	$ (151)	$ 16,693	$ 15,820	40,261	$ 63,088
-	-	153	-	-	1,164	1,010
-	-	-	-	901	1,244	3,081
-	-	-	-	2,045	2,045	1,002
1,526	-	-	-	6,265	7,791	6,770
-	-	-	-	-	3	-
-	-	-	-	-	(1,245)	(844)
4,170	2,286	2	16,693	25,031	51,264	74,107
93,681	-	-	-	331,835	632,337	436,401
29,733	-	-	750	30,567	106,761	167,013
-	-	-	-	-	10	4
1,601	-	-	-	-	1,601	14,135
129,186	2,286	2	17,444	387,433	791,976	691,662
$ 129,186	$ 2,286	$ 2	$ 17,444	$ 387,433	$ 791,976	$ 691,662
$ -	$ -	$ -	$ -	$ 71,454	$ 149,693	$ 40,800
21,037	-	-	7,789	154,673	329,690	493,469
200,698	-	25	3,980	58,004	293,513	157,102
163	147	-	-	1,770	2,081	857
-	-	68	-	-	962	1,020
(92,713)	2,138	(91)	5,674	101,532	16,033	(1,587)
$ 129,186	$ 2,286	$ 2	$ 17,444	$ 387,433	$ 791,976	$ 691,662
$ (748)	$ -	$ 400	$ 4,188	$ (1,162)	$ 5,456	$ 13,507
-	3,341	-	-	-	7,534	(19,123)
(102)	(153)	-	86	-	(173)	71
(917)	615	-	-	-	(302)	(1,002)
-	-	62	-	-	18,713	(12,457)
(44,499)	-	(518)	-	152,100	114,082	(40,083)
(849)	-	(2)	(246)	5,754	6,002	21,529
-	1,223	-	-	-	1,338	(111)
(118)	61	(33)	12	771	(25,087)	81,276
(57)	429	-	66	-	74	367
(48,000)	-	-	1,525	(36,285)	(85,554)	(24,272)
2,579	-	-	41	(9,737)	(12,530)	(6,162)
-	(3,380)	-	-	3,923	311	(846)
-	-	-	-	(13,832)	(13,832)	(14,279)
$ (92,713)	$ 2,138	$ (91)	$ 5,674	$ 101,532	$ 16,033	$ (1,587)

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STATE OF MICHIGAN

DESCRIPTIONS OF INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

CORRECTIONAL INDUSTRIES REVOLVING FUND

This fund was created by P.A. 210 of 1935 and continued by P.A. 15 of 1968 to account for the financial transactions of a manufacturing and processing industry, employing inmates of the State's correctional institutions. P.A. 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax exempt organizations.

P.A. 244 of 1980 mandated that the annual General Fund subsidies to this fund be eliminated by October 1, 1985, with the fund being self-sustaining from that date.

FEDERAL SURPLUS REVOLVING FUND

The purpose of the fund is to account for the operations related to and the distribution of surplus federal property to eligible units of State and local agencies for a service charge. The fund was created by administrative decision.

CENTRAL DRUG REPACKAGING REVOLVING FUND

The Central Drug Repackaging Revolving Fund was established to account for the central purchase and distribution of inventories of drugs and hospital supplies at individual locations. The fund purchases these items in bulk quantities and distributes them to eligible State and local agencies for a service fee. The fund was created by P.A. 111 of 1979 and operations were discontinued March 31, 1985. The remaining funds will be transferred back to the General Fund in fiscal year 1985-86.

MOTOR TRANSPORT REVOLVING FUND

This fund was established by P.A. 260 of 1947 to provide automotive transportation for State agencies. Activities include purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short term usage. The Motor Transport Division vehicles are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are charged by Motor Transport Division on a monthly basis.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: reproduction, microfilm, mailing, communications, and purchase and storage of paper, stationery, and office supplies. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the Department of Civil Service's insurance plans which provide state sponsored health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. For those programs where the State purchases full coverage (e.g., health maintenance organizations), premiums are recorded as revenues and expenses. For self-insured (vision and dental) and partially self-insured (most health coverage, long-term disability, and life) benefit programs, the State recognizes revenues, expenses, and liabilities (insurance "reserves") in accordance with accounting principles applicable to insurance accounting in the private sector. This results in the recognition of unearned premiums (deferred revenues), rather than retained earnings, when a program's assets exceed its liabilities.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	CENTRAL DRUG REPACKAGING REVOLVING FUND
ASSETS			
Current Assets:			
Cash and cash equivalents......	$ 3	$ 2	$ -
Equity in Common Cash..........	7,892	-	1,028
Amounts due from other funds...	-	-	-
Amounts due from local units...	143	73	-
Inventories....................	6,705	-	19
Other current assets:			
Miscellaneous................	156	23	73
Total other current assets....	156	23	73
Total Current Assets..........	14,901	99	1,121
Property, plant, and equipment:			
Buildings and equipment........	12,066	397	-
Allowance for depreciation....	(6,169)	(312)	-
Total property, plant, and equipment..................	5,897	84	-
Other noncurrent assets..........	-	-	-
Total Assets.................	$ 20,798	$ 184	$ 1,121
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Liability to Common Cash.......	$ -	$ 469	$ -
Warrants outstanding...........	12	2	-
Accounts payable and other liabilities.................	1,972	66	75
Amounts due to other funds.....	83	8	-
Deferred revenue...............	-	-	-
Total Current Liabilities.....	2,068	547	75
Long-term liabilities:			
Other long-term liabilities....	650	81	-
Total Liabilities............	2,719	628	75
Fund Equity:			
Retained earnings (deficit)....	18,078	(444)	1,045
Total Fund Equity (Deficit)...	18,078	(444)	1,045
Total Liabilities and Fund Equity.....................	$ 20,798	$ 184	$ 1,121

MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 2	$ 1,000	$ 19	$ 1,027	$ 1,038
-	233	84,541	93,696	58,873
-	-	1,684	1,684	1,426
-	21	-	238	290
435	1,981	-	9,141	8,719
107	81	2,131	2,574	2,148
107	81	2,131	2,574	2,148
545	3,318	88,377	108,362	72,497
46,438	5,681	311	64,895	55,601
(17,325)	(3,104)	(234)	(27,146)	(22,605)
29,113	2,577	76	37,749	32,995
-	-	28,151	28,151	22,289
$ 29,658	$ 5,896	$ 116,604	$ 174,263	$ 127,782
$ 2,895	$ -	$ -	$ 3,365	$ 1,020
37	20	-	73	1,059
1,494	1,433	47,218	52,262	48,559
38	92	-	223	93
-	84	50,300	50,385	17,864
4,467	1,630	97,519	106,309	68,598
287	829	13,650	15,499	9,007
4,754	2,460	111,169	121,809	77,606
24,903	3,435	5,434	52,454	50,176
24,903	3,435	5,434	52,454	50,176
$ 29,658	$ 5,896	$ 116,604	$ 174,263	$ 127,782

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	CENTRAL DRUG REPACKAGING REVOLVING FUND
OPERATING REVENUES	$ 13,844	$ 588	$ 2,296
OPERATING EXPENSES:			
Salaries, wages, and other administrative expenses	8,231	652	198
Depreciation	485	23	–
Purchases for resale	–	–	1,985
Purchases for manufacturing	4,761	–	–
Payment of premiums and claims	–	–	–
Total Operating Expenses	13,478	675	2,184
Operating Income (Loss)	366	(86)	111
NONOPERATING REVENUES (EXPENSES):			
Gain (loss) on disposal of fixed assets	–	–	–
Other nonoperating revenues (expenses)	8	–	–
Total Nonoperating Revenues (Expenses)	8	–	–
Income (Loss) Before Operating Transfers	374	(86)	111
OPERATING TRANSFERS:			
Operating transfers in	1,223	–	–
Operating transfers out	(116)	(150)	(6)
Total Operating Transfers In (Out)	1,107	(150)	(5)
Net Income (Loss) before accounting change	1,481	(236)	105
Cumulative effect of accounting change	–	–	–
Net Income (Loss) after accounting change	1,481	(236)	105
Retained Earnings (Deficit) - Beginning of fiscal year	16,597	(207)	940
Contributed capital-fixed assets	–	–	–
Equity transfer from (to) other funds	–	–	–
Retained Earnings (Deficit) End of fiscal year	$ 18,078	$ (444)	$ 1,045

MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS	
			FISCAL YEARS ENDED	
			SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 20,050	$ 26,411	$ 220,713	$ 283,905	$ 276,738
5,205	7,792	9,433	31,515	30,254
7,474	714	26	8,724	7,191
4,933	16,247	-	23,165	23,263
-	-	-	4,761	3,994
420	-	212,009	212,430	196,389
18,032	24,754	221,470	280,596	261,092
2,018	1,656	(756)	3,309	15,645
(139)	26	-	(113)	466
-	-	-	8	10
(139)	26	-	(104)	476
1,878	1,683	(756)	3,204	16,122
1	3	-	1,229	2,122
(560)	(1,310)	(10)	(2,155)	(1,531)
(559)	(1,307)	(10)	(926)	591
1,319	375	(766)	2,278	16,713
-	-	-	-	(675)
1,319	375	(766)	2,278	16,038
23,584	3,060	6,201	50,176	33,961
-	-	-	-	54
-	-	-	-	122
$ 24,903	$ 3,435	$ 5,434	$ 52,454	$ 50,176

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	FEDERAL SURPLUS REVOLVING FUND	CENTRAL DRUG REPACKAGING REVOLVING FUND
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ 1,481	$ (236)	$ 105
Items not requiring (providing) working capital:			
Depreciation	485	23	-
Compensated absences - long-term portion	57	(4)	(13)
Disability claims - long-term portion	-	-	-
Loss (gain) on disposal of fixed assets	-	-	-
Working Capital Provided (Used) from Operations	2,024	(218)	92
Sale of fixed assets	-	-	1
Equity transfer from (to) other funds	-	-	-
Working Capital Provided (Used)	2,024	(218)	93
Contributed fixed assets	-	-	-
Total Sources (Uses) of Funds	$ 2,024	$ (218)	$ 93
APPLICATION OF FUNDS:			
Increase in other noncurrent assets (net)	$ -	$ -	$ -
Acquisition of fixed assets	781	36	-
Capitalization of fixed assets	-	-	-
Reduction in long-term lease obligation	-	-	-
Net increase (decrease) in working capital	1,243	(255)	93
Total Application of Funds	$ 2,024	$ (218)	$ 93
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ -	$ -	$ (5)
Equity in Common Cash	345	(224)	873
Amounts due from other funds	-	-	-
Amounts due from local units	41	6	(100)
Inventories	1,174	-	(935)
Other current assets	126	5	19
Warrants outstanding	340	1	197
Accounts payable and other liabilities	(701)	(39)	42
Amounts due to other funds	(83)	(4)	1
Deferred revenue	-	-	-
Net Increase (Decrease) in Working Capital	$ 1,243	$ (255)	$ 93

MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1985	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1984
$ 1,319	$ 375	$ (766)	$ 2,278	$ 16,038
7,474	714	26	8,724	7,191
50	47	-	137	494
-	-	6,354	6,354	4,148
139	(26)	-	113	(432)
8,983	1,111	5,613	17,607	27,439
2,054	39	-	2,094	2,724
-	-	-	-	122
11,037	1,150	5,613	19,701	30,286
-	-	-	-	53
$ 11,037	$ 1,150	$ 5,613	$ 19,701	$ 30,339
$ -	$ -	$ 5,861	$ 5,861	$ 11,450
13,874	963	6	15,662	16,359
23	-	-	23	176
-	-	-	-	132
(2,859)	187	(254)	(1,845)	2,219
$ 11,037	$ 1,150	$ 5,613	$ 19,701	$ 30,339
$ (17)	$ (7)	$ 19	$ (10)	$ (7)
(2,307)	421	33,369	32,478	24,604
-	-	257	257	(29)
-	-	-	(52)	17
33	148	-	421	445
16	6	251	425	1,254
206	112	129	986	(448)
(777)	(462)	(1,764)	(3,702)	(5,834)
(13)	(29)	-	(130)	66
-	(1)	(32,518)	(32,520)	(17,847)
$ (2,859)	$ 187	$ (254)	$ (1,845)	$ 2,219

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STATE OF MICHIGAN
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS - BY CLASSIFICATION
SEPTEMBER 30, 1985
(In Thousands)

	EXPENDABLE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS	TOTALS	
				SEPTEMBER 30, 1985	SEPTEMBER 30, 1984 (RESTATED)
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 44	$ 10	$ 3,011	$ 3,066	$ 2,685
Equity in Common Cash	167,312	142,402	99,652	409,367	300,090
Taxes, interest, and penalties receivable	12,678	-	-	12,678	13,224
Amounts due from other funds	3,353	22,304	13,217	38,875	31,957
Amounts due from federal agencies	25,354	-	518	25,872	24,426
Amounts due from local units	9,008	30,310	211	39,529	47,795
Investments	88,502	273,324	-	361,827	386,605
Other current assets	33,546	139,207	535	173,289	183,604
Total Current Assets	339,801	607,559	117,146	1,064,507	990,389
Taxes, interest, and penalties receivable	20,933	-	-	20,933	25,121
Amounts due from local units	590	-	-	590	1,572
Investments	1,373,951	10,037,644	-	11,411,595	10,089,075
Other noncurrent assets	2,318	-	350	2,668	2,969
Total Assets	$ 1,737,594	$10,645,204	$ 117,496	$12,500,295	$11,109,128
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Liability to Common Cash	$ -	$ 324	$ 3,225	$ 3,549	$ 1,402
Warrants outstanding	1,741	7,286	45,009	54,037	56,347
Accounts payable and other liabilities	26,987	23,573	68,708	119,269	168,034
Amounts due to other funds	4,933	-	204	5,138	2,924
Deferred revenue	19,317	-	-	19,317	17,451
Total Current Liabilities	52,981	31,184	117,146	201,312	246,159
Long-Term Liabilities:					
Advances from other funds	2,283	-	350	2,633	2,996
Deferred revenue	20,933	-	-	20,933	25,121
Total Liabilities	76,198	31,184	117,496	224,879	274,276
Fund Balances:					
Reserved for retirement system	-	10,614,019	-	10,614,019	9,416,680
Unreserved	1,661,396	-	-	1,661,396	1,418,171
Total Fund Balances	1,661,396	10,614,019	-	12,275,416	10,834,851
Total Liabilities and Fund Balances	$ 1,737,594	$10,645,204	$ 117,496	$12,500,295	$11,109,128

STATE OF MICHIGAN

DESCRIPTIONS OF EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND

The Michigan Employment Security Act - Contingency Fund, which is administered by the Michigan Employment Security Commission (MESC), was created by P.A. 535 of 1982 to receive a special unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. Solvency taxes are restricted to two purposes, payment of interest on the Michigan Unemployment Compensation Fund borrowings from the federal government and, funding of the costs of a major automation project to the extent that such costs are not funded by other MESC revenue sources. Interest and penalty revenues are spent at the discretion of the commission. The recording of the deferred interest payments and deferred taxes receivable is explained in Note #18 to the general purpose financial statements. Expenditures in the fund reflect payment of deferred interest; operating transfers out reflect transfers to the MESC Administration Fund, where automation project and other costs are recorded as expenditures.

MICHIGAN STATE ACCIDENT FUND

As explained in the "Basis of Accounting - Reporting Entity" note to the financial statements, the operations of the Michigan State Accident Fund (MSAF) are not reported in these statements, pending the outcome of litigation between the MSAF and the State. The amounts included in the State trust fund represent only that portion of the assets which are invested by the State Treasurer on behalf of MSAF. Deposits to the fund, as well as investment earnings, are recorded as revenues. Withdrawals from the fund are recorded as expenditures. Operating transfers out reflect trust fund administrative costs, which are recorded as expenditures in the General Fund.

SECOND INJURY FUND

Public Act 73 of 1985, as amended, created the Second Injury Fund within the Department of Labor to insure carriers and self-insured employers against certain workers' compensation losses. The fund is supervised by the administrator who is appointed by the fund's Board of Trustees. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers. Administrative costs are appropriated in the General Fund with financing provided by way of operating transfers.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The fund and its governing board were authorized by P.A. 135 of 1945 as amended. Municipalities which elect to participate in the fund make contributions, which, with municipal employee contribution and investment income, provide revenues to the fund. Expenditures are recorded for benefit payments, contribution refunds, and direct administrative charges. Additional administrative costs incurred in the General Fund are financed by operating transfers from this fund. The State of Michigan's responsibility is that of due care required of an administrator. It has no legal or moral obligation to provide funding requirements, as that is the responsibility of the participating municipalities.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND

The State Employees' Deferred Compensation Fund was administratively established to account for a deferred compensation plan which permits all State employees to defer a portion of their income until future years. The plan is administered by the Department of Civil Service. Employee contributions are recognized as revenue of the fund and benefits paid are recognized as expenditures. Administrative expenditures are appropriated in the General Fund and are financed by operating transfers from the State Employees' Deferred Compensation Fund. A footnote to the general purpose financial statements, titled "Deferred Compensation Plan," includes additional information on the plan.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

This fund accounts for assets held by the State on behalf of the Authority. This year, for the first time, the Authority is included in its entirety in the State's financial statements, where it is reported as an enterprise fund. The accounting change reflects the reclassification of this fund's net assets to the enterprise fund.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds column reflects the activities of four funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, and the Highway Topics and Safety Program Fund. The Michigan Department of Transportation is recognized as the legal representative of the State including all governmental subdivisions in the administration of these programs. The financing accounted for in these funds consists primarily of local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result of this, the fund balances of these funds are usually zero.

The Special Federal Bridge Replacement Fund was established in conjunction with the Federal Highway Act of 1970, Section 144. This section was authorized by Congress to assist states in reconstructing or replacing roadway bridges which are found to be unsafe or obsolete.

The Federal County Road Fund was established in conjunction with the Federal Aid Highway Act of 1944. This act authorizes funds for projects on the secondary road system which are selected by the Michigan Department of Transportation in cooperation with county road commissions and the Bureau of Public Roads.

The Federal Urban Transportation System Fund was created to administer provisions of the Federal Highway Act of 1970, Section 106. The responsibility for administration of the act was placed in the Michigan Department of Transportation by Section 302(a) of Title 23, United States Code, and was authorized by P.A. 286, Section 7(m), of the Michigan Public Acts of 1964. The principal objective of the fund is directed to improvement of urban highway systems in cooperation with local units of government.

The Highway Topics and Safety Program Fund was established in conjunction with the Federal Aid Highway Acts of 1968 and 1973. The objective of this program is to improve the safety and operating conditions of the existing street and road systems in urban areas.

MISCELLANEOUS TRUST ACCOUNTS FUND

This fund is used to report the transactions of several legally separated activities in which the State holds funds in a fiduciary manner. These activities include the following "funds": State Office Building and Bond Redemption; Children's Institute Trust; Escheats; Gifts, Bequests, and Deposits; Silicosis, Dust Disease, and Logging Industry Compensation; Agricultural College Fund - Morrill Act; Hospital Patients' Trust; Federal Housing Administration Mortgages Escrow; Self-Insurers' Security; Special Assessment Deferment; Urban Land Assembly Loan; Utility Consumer Representation; and U.S. Truck Company, Inc. Workers' Compensation Trust.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ -	$ -	$ 8	$ 5
Equity in Common Cash	48,402	5,511	19,512	5,945
Taxes, interest, and penalties receivable	12,678	-	-	-
Amounts due from other funds	1,470	188	404	248
Amounts due from federal agencies	-	-	-	-
Amounts due from local units	-	-	-	4,694
Investments	-	-	-	70,410
Other current assets	-	9,695	-	20,359
Total Current Assets	62,551	15,396	19,924	101,664
Taxes, interest, and penalties receivable	20,933	-	-	-
Amounts due from local units	-	-	-	-
Investments	-	263,149	-	746,685
Other noncurrent assets	-	-	-	-
Total Assets	$ 83,484	$ 278,546	$ 19,924	$ 848,349
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ -	$ -	$ 145	$ 251
Accounts payable and other liabilities	2,018	-	561	1,141
Amounts due to other funds	-	-	-	-
Deferred revenue	9,716	-	-	-
Total Current Liabilities	11,734	-	706	1,392
Long-Term Liabilities:				
Advances from other funds	-	-	-	-
Deferred revenue	20,933	-	-	-
Total Liabilities	32,667	-	706	1,392
Fund Balances:				
Unreserved	50,817	278,546	19,218	846,957
Total Fund Balances	50,817	278,546	19,218	846,957
Total Liabilities and Fund Balances	$ 83,484	$ 278,546	$ 19,924	$ 848,349

STATE EMPLOYEES' DEFERRED COMPENSATION FUND	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS	
			SEPTEMBER 30, 1985	SEPTEMBER 30, 1984 (RESTATED)
$ -	$ -	$ 31	$ 44	$ 14
5,521	6,081	76,336	167,312	133,023
-	-	-	12,678	13,224
89	148	803	3,353	5,929
-	25,354	-	25,354	24,046
-	3,663	650	9,008	11,715
-	-	18,091	88,502	63,549
-	62	3,428	33,546	37,694
5,611	35,310	99,341	339,801	289,197
-	-	-	20,933	25,121
-	-	590	590	1,572
363,413	-	703	1,373,951	1,176,810
-	-	2,318	2,318	2,419
$ 369,024	$ 35,310	$ 102,954	$ 1,737,594	$ 1,495,121
$ 13	$ 382	$ 949	$ 1,741	$ 2,162
7	21,143	2,116	26,987	27,372
-	4,183	750	4,933	2,396
-	9,600	-	19,317	17,451
21	35,310	3,816	52,981	49,383
-	-	2,283	2,283	2,446
-	-	-	20,933	25,121
21	35,310	6,099	76,198	76,950
369,002	-	96,854	1,661,396	1,418,171
369,002	-0-	96,854	1,661,396	1,418,171
$ 369,024	$ 35,310	$ 102,954	$ 1,737,594	$ 1,495,121

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENCY FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND
REVENUES				
Taxes	$ 58,838	$ -	$ -	$ -
From federal agencies	-	-	-	-
From local agencies	-	-	-	-
Miscellaneous	7,294	49,182	19,010	126,395
Total Revenues	66,133	49,182	19,010	126,395
EXPENDITURES				
Current:				
General government	-	-	-	32,414
Education	-	-	-	-
Health and welfare	-	-	-	-
Conservation, recreation, and agriculture	-	-	-	-
Labor, commerce, and regulatory	25,501	17,411	13,956	-
Mental health	-	-	-	-
Transportation	-	-	-	-
Total Expenditures	25,501	17,411	13,956	32,414
Excess of Revenues over (under) Expenditures	40,631	31,771	5,053	93,981
OTHER FINANCING SOURCES (USES)				
Operating transfers in	111	-	-	3
Operating transfers out	(17,608)	(69)	(1,814)	(108)
Total Other Financing Sources (Uses)	(17,497)	(69)	(1,814)	(104)
Cumulative Effect of Accounting Change	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses After Accounting Change	23,134	31,701	3,239	93,876
Fund Balances (Deficit) - Beginning of fiscal year as previously reported	27,682	246,844	15,978	753,080
Effect of accounting changes	-	-	-	-
Fund Balances (Deficit) - Beginning of fiscal year - restated	27,682	246,844	15,978	753,080
Equity transfers from other funds	-	-	-	-
Equity tansfers to other funds	-	-	-	-
Fund Balances (Deficit) - End of fiscal year	$ 50,817	$ 278,546	$ 19,218	$ 846,957

				TOTALS	
				FISCAL YEARS ENDED	
STATE EMPLOYEES' DEFERRED COMPENSATION FUND	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984 (RESTATED)*
$ -	$ -	$ -	$ -	$ 58,838	$ 52,923
-	-	92,039	36	92,075	87,220
-	-	17,821	-	17,821	12,398
98,265	-	798	70,494	371,442	347,893
98,265	-	110,659	70,530	540,178	500,435
18,902	-	-	44,048	95,365	84,723
-	-	-	56	56	-
-	-	-	11	11	1
-	-	-	502	502	-
-	-	-	5,623	62,493	90,471
-	-	-	5,860	5,860	5,630
-	-	114,782	-	114,782	114,580
18,902	-	114,782	56,102	279,071	295,407
79,362	-	(4,122)	14,427	261,106	205,028
-	-	4,187	707	5,009	3,344
(263)	-	(64)	(2,961)	(22,891)	(28,895)
(263)	-	4,122	(2,254)	(17,881)	(25,550)
-	-	-	-	-	25,414
79,099	-	-	12,173	243,225	204,892
289,903	25,506	-0-	84,680	1,443,677	1,230,334
-	(25,506)	-	-	(25,506)	(16,933)
289,903	-0-	-0-	84,680	1,418,171	1,213,400
-	-	-	-	-	267
-	-	-	-	-	(389)
$ 369,002	$ -0-	$ -0-	$ 96,854	$ 1,661,396	$ 1,418,171

*Restated to remove Michigan Higher Education Assistance Authority, which is now reflected in the enterprise fund group.

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STATE OF MICHIGAN

DESCRIPTIONS OF PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

LEGISLATIVE RETIREMENT FUND

The Legislative Retirement System was created by P.A. 261 of 1957 to provide retirement allowances, survivors' allowances, and other benefits for members of the Legislature and the presiding officers and their widows or children.

Participants in the system have a deduction from each salary payment to partly finance the fund. In addition, legislative appropriations, interest on fund investments, and court fees complete the financing.

STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND

This fund was created by P.A. 251 of 1935 to provide retirement benefits for State Police officers and is administered by the Director for the Department of State Police under the supervision of the State Administrative Board. Financing is provided by investment income and by an annual legislative appropriation from the General Fund.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine member board under the direction of an Executive Secretary. P.A. 216 of 1974 eliminated the requirement for member contributions and provided for financing entirely by legislative appropriation. Financing requirements are based on an actuarial percentage of members' current salaries and wages. Administrative costs are financed by the investment earnings of the fund.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981 the Public School Employees' Chapter I Retirement Fund was merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. The two original funds were created by Public Acts 136 of 1945 and 259 of 1974, respectively.

Financing for the fund is based upon an actuarial determination that is funded by both annual appropriations by the Legislature and employer contributions. Benefit payments and administrative costs are the principal expenses of the fund. Administrative policy is governed by an eight member board.

PROBATE JUDGES' AND JUDGES' RETIREMENT FUNDS

P.A. 198 of 1951 and P.A. 165 of 1954 created the Judges' and Probate Judges' Retirement Funds respectively. These funds are administered by their respective boards under direction of the Executive Secretary of the State Employees' Retirement Fund. Financing is from member contributions, court filing fees as provided under law, and legislative appropriations. Amendments to the basic law by P.A. 508 and P.A. 510 of 1982 closed the Probate Judges' Retirement Fund to new members. As of January 1983, all new members of the judicial retirement system will be included in the Judges' Retirement Fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
SEPTEMBER 30, 1985
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
ASSETS			
Current Assets:			
Cash and cash equivalents................	$ -	$ -	$ 5
Equity in Common Cash....................	14,696	7,129	32,893
Amounts due from other funds.............	286	82	20,500
Amounts due from local units.............	54	-	-
Investments..............................	-	6,257	60,751
Other current assets:			
Miscellaneous..........................	865	2,931	30,688
Total other current assets.............	865	2,931	30,688
Total Current Assets...................	15,902	16,402	144,838
Investments..............................	23,362	225,009	2,214,561
Total Assets...........................	$ 39,265	$ 241,411	$ 2,359,399
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Liability to Common Cash.................	$ -	$ -	$ -
Warrants outstanding.....................	36	157	1,669
Accounts payable and other liabilities...	-	58	8,247
Total Current Liabilities..............	36	216	9,916
Total Liabilities......................	36	216	9,916
Fund Balances:			
Reserved for Retirement Benefits.........	39,228	241,195	2,349,482
Total Fund Balances....................	39,228	241,195	2,349,482
Total Liabilities and Fund Balances.....	$ 39,265	$ 241,411	$ 2,359,399

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS	
			SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 5	$ -	$ -	$ 10	$ 273
86,852	830	-	142,402	82,150
1,405	13	15	22,304	14,739
30,255	-	-	30,310	35,863
204,320	300	1,694	273,324	323,055
103,048	285	1,388	139,207	145,300
103,048	285	1,388	139,207	145,300
425,888	1,430	3,097	607,559	601,381
7,502,824	10,344	61,542	10,037,644	8,912,264
$ 7,928,712	$ 11,774	$ 64,639	$10,645,204	$ 9,513,646
$ -	$ -	$ 324	$ 324	$ -
5,335	18	68	7,286	15,751
15,257	1	8	23,573	81,215
20,593	19	400	31,184	96,966
20,593	19	400	31,184	96,966
7,908,119	11,754	64,239	10,614,019	9,416,680
7,908,119	11,754	64,239	10,614,019	9,416,680
$ 7,928,712	$ 11,774	$ 64,639	$10,645,204	$ 9,513,646

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
OPERATING REVENUES:			
Contributions from members and employers	$ 1,790	$ 19,432	$ 196,543
Investment revenue (net)	3,634	21,760	213,632
Miscellaneous operating income:			
Court fees for administration and annuities	903	-	-
Miscellaneous	-	-	-
Total miscellaneous operating income	903	-	-
Total Operating Revenues	6,328	41,193	410,176
OPERATING EXPENSES:			
Salaries, wages, and other administrative expenses	93	44	1,601
Benefits, insurance, and refunds:			
Benefits paid to participants or beneficiaries	1,438	9,798	94,688
Medical, dental, and life insurance for retirants	553	2,218	32,249
Refunds to terminated members	26	4	231
Total benefits, insurance, and refunds	2,019	12,021	127,169
Total Operating Expenses	2,112	12,066	128,770
Operating Income	4,215	29,126	281,406
OPERATING TRANSFERS:			
Operating transfers in	-	-	82
Operating transfers out	(9)	(103)	(772)
Total Operating Transfers In (Out)	(9)	(103)	(689)
Net Income	4,206	29,022	280,716
Fund Balances - Beginning of fiscal year	35,021	212,172	2,068,766
Fund Balances - End of fiscal year	$ 39,228	$ 241,195	$ 2,349,482

			TOTALS	
			FISCAL YEAR ENDED	
PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 538,653	$ 255	$ 2,726	$ 759,401	$ 690,057
715,307	1,056	5,689	961,082	898,355
-	683	5,174	6,761	6,488
9	-	-	10	1
9	683	5,174	6,771	6,490
1,253,970	1,995	13,590	1,727,254	1,594,902
3,822	35	142	5,740	3,931
324,731	777	3,759	435,195	405,545
46,289	-	3	81,314	71,387
2,160	6	29	2,459	3,986
373,181	784	3.793	518,968	480,919
377,004	819	3,936	524,709	484,851
876,966	1,175	9,654	1,202,545	1,110,051
1	-	-	83	87
(2,522)	(16)	(1,864)	(5,289)	(4,147)
(2,521)	(16)	(1,864)	(5,206)	(4,060)
874,445	1,159	7,789	1,197,339	1,105,990
7,033,674	10,595	56,450	9,416,680	8,310,689
$ 7,908,119	$ 11,754	$ 64,239	$10,614,019	$ 9,416,680

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE PENSION, ACCIDENT, AND DISABILITY FUND	STATE EMPLOYEES' RETIREMENT FUND
SOURCES OF FUNDS:			
From Operations:			
Net income	$ 4,206	$ 29,022	$ 280,716
Working Capital Provided from Operations	4,206	29,022	280,716
Decrease in noncurrent investments (net)	49	-	-
Working Capital Provided	4,255	29,022	280,716
Total Sources of Funds	$ 4,255	$ 29,022	$ 280,716
APPLICATION OF FUNDS:			
Increase in noncurrent investments (net)	$ -	$ 26,349	$ 252,303
Net increase (decrease) in working capital	4,255	2,673	28,412
Total Application of Funds	$ 4,255	$ 29,022	$ 280,716
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ (16)	$ -	$ (241)
Equity in Common Cash	4,219	2,781	16,844
Amounts due from other funds	(5)	(35)	8,380
Amounts due from local units	23	-	-
Investments	-	(977)	(10,359)
Other current assets	28	(314)	(1,902)
Warrants outstanding	5	46	1,483
Accounts payable and other liabilities	1	1,172	14,206
Net Increase (Decrease) in Working Capital	$ 4,255	$ 2,673	$ 28,412

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	TOTALS	
			FISCAL YEAR ENDED	
			SEPTEMBER 30, 1985	SEPTEMBER 30, 1984
$ 874,445	$ 1,159	$ 7,789	$ 1,197,339	$ 1,105,990
874,445	1,159	7,789	1,197,339	1,105,990
-	-	-	49	382
874,445	1,159	7,789	1,197,388	1,106,373
$ 874,445	$ 1,159	$ 7,789	$ 1,197,388	$ 1,106,373
$ 836,042	$ 566	$ 10,166	$ 1,125,428	$ 1,440,262
38,402	592	(2,377)	71,960	(333,889)
$ 874,445	$ 1,159	$ 7,789	$ 1,197,388	$ 1,106,373
$ (5)	$ -	$ -	$ (262)	$ 183
38,031	503	(2,452)	59,927	(138,833)
(702)	6	(77)	7,565	1,093
(5,576)	-	-	(5,553)	(5,805)
(38,159)	(54)	(179)	(49,730)	(164,702)
(3,958)	24	29	(6,093)	19,585
6,896	18	13	8,464	(7,598)
41,876	94	289	57,641	(37,811)
$ 38,402	$ 592	$ (2,377)	$ 71,960	$ (333,889)

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STATE OF MICHIGAN

DESCRIPTIONS OF AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1985

RECEIPTS CLEARING FUND

This fund is used by several State departments primarily as a depository for various receipts; the classification as to type of revenue being unknown at the time of deposit. Subsequent to the deposit of monies in this fund, the participating departments initiate a determination procedure to clear this fund of deposits made and to credit the proper funds and accounts for revenues received.

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Section 112 and 134 to account for Federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the fund, approximately 80% of which is reimbursed to the local unit by the federal government. The financing accounted for in this fund consists of federal and local money, and no State funds are involved.

CONTRIBUTION FUND (SOCIAL SECURITY)

The function of this fund is to account for monies provided for social security coverage of employees of the State of Michigan and its political subdivisions. The fund, established by P.A. 205 of 1951, is administered by the State Employees' Retirement Board. Social Security reports and contributions by the employee and the employer are reported to the board. The various reports and contributions are recapped and forwarded to the Federal Social Security Administration. The administrative costs are prorated to the various reporting units.

AIRPORT AUTHORITIES FACILITIES IMPROVEMENT TRUST FUND

This fund was authorized by P.A. 327 of 1945. The purpose of the fund is to hold in trust, monies deposited by local airport authorities for the purchase of land for local airport improvements. The land purchase transactions are administered by the Right of Way Division of the Department of Transportation. The deposits cover the land purchase price and the purchase administrative costs. No State funds are involved. The final land purchase transactions for this fund were completed during the 1984-85 fiscal year.

SCHOOL EMERGENCY LOAN REVOLVING FUND

This fund was authorized by P.A. 8 of 1977 to furnish emergency financial assistance to insolvent school districts. Since the loan authority expired June 30, 1983, collection of outstanding loans has been the sole purpose of the fund. Loan repayments with interest are transferred annually to the General Fund.

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND

This fund was authorized by P.A. 641 of 1978, as amended, and Act 64 of 1979 to account for cash bonds posted by applicants desiring licenses to operate hazardous and solid waste disposal areas. In accordance with P.A. 641 of 1978, as amended, interest earnings up to 6% are credited to the applicants account. This act also specifies the circumstances under which the director of the Department of Natural Resources is authorized to use the deposits to close and maintain a facility or return the deposit to the operator upon his satisfactory closure and maintenance of such facility.

HERITAGE TRUST FUND

This fund was created by P.A. 327 of 1982, as amended, to record deposits of certain bonuses, rentals, delayed rentals, and royalties collected by the State under provisions of specific State oil and gas leases until September 30, 2032. These monies are then distributed quarterly to the Michigan Economic Development Authority as specified by the Act. The Act also provides for a transfer to the State Recreational Land Acquisition Trust Fund of any balance remaining in the fund on July 1 of each year.

The State Constitution was amended in November 1984 to provide for a "Michigan Natural Resources Trust Fund." The Heritage Trust Fund will be merged into the new fund on October 1, 1985.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

RECEIPTS CLEARING FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,397	$ 3,011	$ 2,397	$ 3,011
Equity in Common Cash	-	1,691,441	1,691,441	-
Other current assets	609	1,178	1,257	530
Total Assets	$ 3,006	$ 1,695,631	$ 1,695,096	$ 3,541
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 1,402	$ 3,225	$ 1,402	$ 3,225
Warrants outstanding	189	-	144	44
Accounts payable and other liabilities	1,087	1,721,482	1,722,301	268
Amounts due to other funds	327	1,639	1,962	4
Total Liabilities	$ 3,006	$ 1,726,347	$ 1,725,811	$ 3,541

METROPOLITAN PLANNING FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ 16	$ 2,091	$ 2,056	$ 50
Amounts due from federal agencies	380	518	380	518
Amounts due from local units	1	-	1	-
Total Assets	$ 398	$ 2,609	$ 2,439	$ 569
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 8	$ -	$ -	$ 8
Accounts payable and other liabilities	390	3,012	2,842	560
Total Liabilities	$ 398	$ 3,012	$ 2,842	$ 569

CONTRIBUTION FUND (SOCIAL SECURITY)	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ 73,936	$ 1,358,278	$ 1,345,815	$ 86,400
Amounts due from other funds	11,175	13,096	11,176	13,095
Other current assets	-	688	682	5
Total Assets	$ 85,111	$ 1,372,063	$ 1,357,673	$ 99,501
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 38,236	$ 6,720	$ -	$ 44,956
Accounts payable and other liabilities	46,875	1,395,540	1,387,871	54,544
Total Liabilities	$ 85,111	$ 1,402,260	$ 1,387,871	$ 99,501

Continued on next page

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

AIRPORT AUTHORITIES FACILITIES IMPROVEMENT TRUST FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ 66	$ 27	$ 60	$ 34
Amounts due from other funds	7	1	7	1
Total Assets	$ 74	$ 29	$ 68	$ 35
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 74	$ 50	$ 88	$ 35
Total Liabilities	$ 74	$ 50	$ 88	$ 35

SCHOOL EMERGENCY LOAN REVOLVING FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ -	$ 294	$ 294	$ -
Amounts due from local units	215	211	215	211
Total Current Assets	215	505	509	211
Noncurrent Assets	550	-	200	350
Total Assets	$ 765	$ 505	$ 709	$ 561
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 15	$ 105	$ 109	$ 11
Amounts due to other funds	200	200	200	200
Total Current Liabilities	215	305	309	211
Long-term Liabilities:				
Amounts due to other funds	550	-	200	350
Total Liabilities	$ 765	$ 305	$ 509	$ 561

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ 167	$ 54	$ 36	$ 186
Amounts due from other funds	3	3	3	3
Total Assets	$ 171	$ 58	$ 40	$ 189
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 171	$ 63	$ 45	$ 189
Total Liabilities	$ 171	$ 63	$ 45	$ 189

Continued on next page

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

HERITAGE TRUST FUND	BALANCE OCTOBER 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1985
ASSETS				
Current Assets:				
Equity in Common Cash	$ 10,729	$ 37,992	$ 35,740	$ 12,980
Amounts due from other funds	101	117	101	117
Total Assets	$ 10,831	$ 38,109	$ 35,842	$ 13,098
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 10,831	$ 38,007	$ 35,740	$ 13,098
Total Liabilities	$ 10,831	$ 38,007	$ 35,740	$ 13,098
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,397	$ 3,011	$ 2,397	$ 3,011
Equity in Common Cash	84,916	3,090,180	3,075,444	99,652
Amounts due from other funds	11,288	13,218	11,290	13,217
Amounts due from federal agencies	380	518	380	518
Amounts due from local units	216	211	216	211
Other current assets	609	1,867	1,940	535
Total Current Assets	99,809	3,109,007	3,091,670	117,146
Noncurrent Assets	550	-	200	350
Total Assets	$ 100,359	$ 3,109,007	$ 3,091,870	$ 117,496
LIABILITIES				
Current Liabilities:				
Liability to Common Cash	$ 1,402	$ 3,225	$ 1,402	$ 3,225
Warrants outstanding	38,433	6,720	144	45,009
Accounts payable and other liabilities	59,446	3,158,262	3,149,000	68,708
Amounts due to other funds	527	1,839	2,162	204
Total Current Liabilities	99,809	3,170,047	3,152,710	117,146
Long-term Liabilities:				
Amounts due to other funds	550	-	200	350
Total Liabilities	$ 100,359	$ 3,170,047	$ 3,152,910	$ 117,496

II FINANCIAL SECTION

SCHEDULES

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STATE OF MICHIGAN

SCHEDULE OF GENERAL FIXED ASSETS ACCOUNT GROUP BY FUNCTION

SEPTEMBER 30, 1985

(In Thousands)

FUNCTION	LAND	BUILDINGS	EQUIPMENT	TOTAL
General government	$ 30,702	$ 170,540	$ 56,741	$ 257,983
Education	313	10,279	7,216	17,808
Health and welfare	1,919	69,811	43,291	115,021
Public safety and corrections	7,192	234,671	42,125	283,988
Conservation, recreation, and agriculture	103,098	39,207	43,119	185,424
Labor, commerce, and regulatory	2,364	2,746	33,733	38,843
Mental health	24,117	228,407	21,415	273,939
Transportation	1,056	21,115	66,229	88,400
Total general fixed assets allocated to functions	$ 170,761	$ 776,776	$ 313,869	1,261,406
Construction in progress				70,382
				$1,331,788

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985

(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales tax	$ 2,142,624	$ 815,792	$ 1,326,831
Personal income tax	3,264,610	3,264,610	-
Corporation income tax	4,371	4,371	-
Single business tax	1,378,424	1,378,424	-
Use tax	341,400	341,400	-
Cigarette tax	241,037	218,081	22,955
Beer and wine tax	52,143	52,143	-
Liquor excise tax	41,348	20,674	20,674
Horse race wagering tax	21,888	21,888	-
Intangibles tax	60,304	60,304	-
Inheritance tax	62,688	62,688	-
Telephone and telegraph company tax	110,236	110,236	-
Insurance company premium tax	116,994	116,994	-
Motor vehicle weight tax	286,683	-	286,683
Gasoline tax	569,687	-	569,687
Aviation fuel tax	3,897	-	3,897
Diesel fuel tax	45,429	-	45,429
Gas and oil severance tax	75,734	75,734	-
Industrial facilities tax	42,112	-	42,112
Penalties and interest - various taxes	40,900	40,900	-
Watercraft registration tax	3,052	-	3,052
Other taxes	5,386	1,523	3,863
	8,910,956	6,585,768	2,325,187
FROM FEDERAL AGENCIES			
Department of Health and Human Services	2,067,357	2,067,357	-
Department of Education	239,628	206,628	33,000
Department of Agriculture	193,727	193,727	-
Department of Labor	263,179	155,269	107,910
Department of Housing and Urban Development	32,804	32,804	-
Environmental Protection Agency	15,107	15,107	-
Department of Energy	15,842	15,842	-
Department of Transportation	308,352	6,217	302,134
Department of Interior	8,460	7,582	877
Department of Defense	13,822	13,822	-
Department of Justice	1,669	1,669	-
Other federal agencies	34,434	32,117	2,317
	3,194,386	2,748,146	446,239
FROM LOCAL AGENCIES			
Counties	77,862	76,401	1,461
Cities, villages, and townships	16,409	11,590	4,819
Colleges and universities	5,196	5,196	-
School districts	5,982	5,982	-
Multi-level governmental units	928	664	264
Other local agencies	11,684	1,734	9,949
	118,064	101,570	16,494

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES (Continued)
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for furnishing vehicle driver records	$ 19,321	$ 19,321	$ -
Revenue for patient, ward, and inmate care	65,205	65,205	-
Other services	7,932	7,118	814
	92,459	91,645	814
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	11,850	11,850	-
Motor vehicle operators' and chauffeurs' licenses	16,009	16,009	-
Examination fees -- financial institutions and insurance industry	5,078	5,078	-
Department of Licensing and Regulation licenses and permits	16,297	16,297	-
Concession and privilege fees - State parks	8,427	8,427	-
Motor vehicle related	23,968	3,534	20,434
Hunting, fishing, and trapping licenses	25,660	-	25,660
Public utility assessment fees	11,970	11,970	-
Department of Commerce licenses and permits	7,030	7,030	-
Department of Agriculture licenses and permits	1,993	1,993	-
Auto repair facilities and mechanics licenses and fees	2,868	2,868	-
Other licenses and permits	16,723	11,217	5,505
	147,878	96,277	51,600
MISCELLANEOUS			
Income from investments	129,542	58,501	71,041
Various fines, fees, and assessments	7,617	3,814	3,803
Court fines, fees, and assessments	13,666	9,268	4,397
Oil and gas royalties, fees, assignments, and rentals	20,461	14,618	5,842
Sale of forest products on tax reverted land	4,621	4,621	-
Net lottery profits	360,374	-	360,374
Other	33,636	25,339	8,297
	569,920	116,163	453,756
Total Revenues	13,033,665	9,739,571	3,294,093
OTHER MISCELLANEOUS AND OTHER FINANCING SOURCES			
Other Financing Sources:			
Proceeds from sale of bonds	32,875	-	32,875
Operating transfers in:			
From general and special revenue funds	1,715,426	149,779	1,565,646
From Liquor Purchase Revolving Fund	66,828	66,828	-
From MESC Contingency Fund	17,598	-	17,598
From other funds	16,785	13,425	3,360
Gifts and Contributions	1,311	-	1,311
Heritage Trust Fund	27,792	-	27,792
Homeowner Construction Lien Recovery Fund	519	-	519
Expenditure reimbursements and prior year recoveries	25,897	10,787	15,110
International Bridge Authority reimbursements	1,178	-	1,178
Lottery receipts used for prizes and operations	533,761	-	533,761
	2,439,977	240,821	2,199,156
Total Revenue and Other Financing Sources	$15,473,643	$ 9,980,393	$ 5,493,249

Note: This schedule was prepared on the Statutory/Budgetary basis and only oversight entity funds are included.

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1985
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	UNEXPENDED BALANCES FROM PRIOR YEARS	RESTRICTED REVENUE ADDITIONS	BUDGETARY TRANSFERS IN (OUT)	GROSS AUTHORIZATIONS
Legislative Branch	$ 76,150	$ 8,145	$ 4,961	$ 220	$ 89,477
Judicial Branch	70,791	263	17,499	8,220	96,775
Executive Branch:					
Executive Office	3,188	53	-	-	3,241
Management and Budget	471,121	132,518	816,286	(29,383)	1,390,542
Attorney General	18,343	296	6,147	377	25,164
Civil Rights	9,592	18	1,523	-	11,134
Civil Service	9,988	319	3,812	-	14,120
State	10,602	2,767	71,747	(24)	85,093
Treasury	150,060	417,813	336,952	795	905,621
Education	509,280	3,745	378,727	21,883	913,637
Grants to Colleges and Universities	960,294	7,738	12	7,353	975,398
Public Health	118,266	5,204	129,678	14,753	267,903
Mental Health	612,353	15,959	68,553	131,590	828,456
Social Services	2,078,110	18,307	2,004,906	(156,759)	3,944,564
Corrections	343,397	35,044	34,979	3,069	416,491
Military Affairs	10,776	2,451	11,446	293	24,968
State Police	147,711	2,323	16,389	755	167,179
Commerce	79,786	31,116	75,836	(285)	186,453
Labor	45,658	15,543	197,137	(6,072)	252,266
Licensing and Regulation	14,370	187	3,269	-	17,827
Natural Resources	108,639	30,442	93,335	980	233,398
Agriculture	24,463	2,563	15,492	2,231	44,750
Items Not Assigned to Departments	-	-	319	-	319
TOTAL	$ 5,872,946	$ 732,822	$ 4,289,017	$ -	$10,894,786

*Unused spending authority which does not lapse has been broken into two categories:

Timing differences are subtracted from Gross Authorizations in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multiyear projects, such as capital outlay and work projects, and also restricted revenues which were not available for expenditure in the current year because they had not been appropriated.

Restricted revenue balances forward in the Variances category represents restricted revenue carry-overs that could have been used in the current period but were not.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

	"BUDGET"	"ACTUAL"		"FAVORABLE VARIANCES"		"UNFAVORABLE VARIANCES"
LESS: TIMING DIFFERENCES*	AS PRESENTED IN STATEMENTS	EXPENDED AND TRANSFERRED	ENCUMBERED BALANCES FORWARD	RESTRICTED REVENUE BALANCES FORWARD*	LAPSED	OVER EXPENDED OR OVER OBLIGATED
$ 4,679	$ 84,797	$ 79,350	$ 1,532	$ 1,361	$ 2,577	$ (23)
150	96,625	102,215	606	-	-	(6,196)
22	3,218	2,875	3	-	339	-
128,765	1,261,777	1,242,098	3,568	6,873	9,415	(177)
274	24,889	23,880	113	-	974	(78)
306	10,827	10,710	26	-	90	-
432	13,687	12,412	103	-	1,170	-
2,072	83,020	81,177	820	212	809	-
732,314	173,306	168,692	254	539	3,820	-
2,194	911,442	906,511	2,813	-	2,658	(540)
8,313	967,085	965,778	2,556	-	-	(1,250)
6,534	261,368	243,802	17,375	-	931	(740)
12,883	815,573	820,702	7,130	1,765	4,490	(18,515)
33,848	3,910,716	3,899,251	2,953	-	10,290	(1,779)
34,594	381,897	356,286	22,809	7	3,051	(257)
1,107	23,860	19,275	3,902	-	683	-
4,141	163,037	167,341	1,346	-	30	(5,680)
12,253	174,199	149,396	23,422	-	1,379	-
12,426	239,840	238,689	715	-	685	(249)
432	17,394	16,771	49	28	576	(32)
50,714	182,683	174,564	8,073	1,153	2,659	(3,767)
2,825	41,925	39,933	495	-	1,496	-
-	319	2,728	-	-	-	(2,409)
$ 1,051,291	$ 9,843,495	$ 9,724,446	$ 100,674	$ 11,943	$ 48,130	$ (41,699)

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III STATISTICAL SECTION

STATISTICAL DATA

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STATISTICAL DATA — LAST TEN YEARS

STATE OF MICHIGAN
REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS
SEPTEMBER 30, 1985
(In Thousands)

SOURCE	1975-1976	1976-1977	1977-1978	1978-1979
TAXES:				
Sales	$ 1,318,947	$ 1,223,667	$ 1,376,414	$ 1,506,294
Personal Income	1,566,656	1,465,467	1,712,373	1,943,478
Single Business	354,851	803,525	899,390	1,001,300
Use Tax	193,304	183,323	210,482	232,895
Liquor, Beer, Wine, and Cigarette Tax	279,703	225,454	229,314	225,930
Telephone and Telegraph Company Tax	132,456	76,212	81,966	87,413
Insurance Company Premium Tax	70,583	81,547	99,755	108,778
Motor Vehicle and Fuel Tax	678,675	596,420	615,130	742,512
Other Taxes	312,739	104,385	164,792	195,421
TOTAL TAXES	4,907,922	4,760,007	5,389,620	6,044,023
FEDERAL AGENCIES	2,144,561	1,840,934	2,066,814	2,129,729
LOCAL AGENCIES	15,692	29,184	36,125	37,982
SERVICES	43,612	33,294	37,851	46,332
LICENSES AND PERMITS	269,002	108,511	97,993	97,875
MISCELLANEOUS	385,958	329,813	445,842	601,977
TOTAL REVENUE	7,766,751	7,101,746	8,074,248	8,957,921
PROCEEDS FROM BOND ISSUES	-	-	-	-
CAPITAL LEASE ACQUISITIONS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	$ 7,766,751	$ 7,101,746	$ 8,074,248	$ 8,957,921

NOTES: In 1975-76 the fiscal year end was changed from June 30 to September 30, resulting in a 15-month period which began on July 1, 1975 and ended on September 30, 1976.

This schedule was prepared on the Statutory/Budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

Proceeds from bond sales were recorded in "bond funds," rather than in special revenue funds for periods prior to 1979-80.

The recording of Capital Lease acquisitions began in 1984-85 and prior year amounts are not available.

1979-1980	1980-1981	1981-1982	1982-1983	1983-1984	1984-1985
$ 1,503,972	$ 1,594,970	$ 1,570,630	$ 1,698,983	$ 1,924,996	$ 2,142,624
1,912,044	2,036,016	2,162,858	2,770,377	3,189,705	3,311,680
1,076,010	942,249	943,148	1,041,745	1,280,547	1,378,424
232,319	245,689	247,358	279,516	317,332	341,400
229,104	243,254	279,778	331,975	331,881	334,530
93,828	98,773	105,195	107,984	113,073	110,236
148,569	110,972	104,253	101,573	103,411	116,994
713,455	652,121	671,429	704,118	828,555	981,431
217,094	270,973	286,539	301,159	316,232	240,704
6,126,400	6,195,020	6,371,191	7,337,434	8,405,736	8,958,026
2,452,370	2,602,459	2,635,608	2,770,046	3,030,156	3,190,771
52,137	71,149	119,144	140,489	122,772	118,064
50,039	55,827	59,779	62,511	53,625	92,459
119,396	127,584	123,794	130,075	138,479	148,810
717,786	735,179	726,836	701,082	811,002	1,207,490
9,518,130	9,787,221	10,036,355	11,141,638	12,561,771	13,715,622
106,329	64,010	-	132,186	107,714	32,875
-	-	-	-	-	25,071
$ 9,624,459	$ 9,851,231	$10,036,355	$11,273,824	$12,669,485	$13,773,570

STATE OF MICHIGAN
SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - OVERSIGHT ENTITY
LAST TEN YEARS
SEPTEMBER 30, 1985
(In Thousands)

	1975-1976	1976-1977	1977-1978	1978-1979
Current:				
General government	$ 441,793	$ 388,417	$ 475,273	$ 566,092
Education	2,629,984	2,402,842	2,637,032	2,977,051
Health and welfare	2,509,930	2,128,233	2,371,985	2,558,304
Public safety and corrections	207,823	197,867	244,587	266,892
Conservation, recreation, and agriculture	132,936	115,389	143,620	142,778
Labor, commerce, and regulatory	237,034	206,616	275,724	285,184
Mental health	364,427	326,820	390,287	450,925
Transportation	900,074	744,596	738,101	602,054
Lottery prize awards	-	-	-	-
Items not assigned to a function	383,777	493,734	546,373	639,979
Capital outlay	-	-	-	396,386
Intergovernmental - revenue sharing	-	-	-	-
Total Expenditures	$ 7,807,795	$ 7,004,533	$ 7,822,988	$ 8,885,649

NOTE: In 1975-76 the fiscal year end was changed from June 30 to September 30, resulting in a 15-month period which began on July 1, 1975 and ended on September 30, 1976.

For years prior to 1978-79, operating transfers to funds other than the General and Special Revenue Funds and capital outlay expenditures are included in "current expenditures."

For years prior to 1980-81 "Intergovernmental - revenue sharing" was included in "Items not assigned to a function."

For years prior to 1981-82, lottery prizes were included in "General government."

This schedule was prepared on the statutory/budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

1979-1980	1980-1981	1981-1982	1982-1983	1983-1984	1984-1985
$ 631,499	$ 698,009	$ 541,493	$ 499,288	$ 559,846	$ 638,192
3,121,272	2,949,451	2,740,003	3,002,609	3,269,098	3,629,377
3,032,898	3,284,977	3,591,335	3,770,789	4,042,865	4,187,289
309,790	338,269	361,914	374,122	424,621	485,832
171,834	169,721	174,602	185,585	182,347	214,510
347,309	416,901	387,837	444,322	501,165	523,445
537,906	714,708	627,201	630,294	711,658	815,537
669,645	659,516	669,724	667,677	782,802	840,177
-	-	271,725	274,324	290,684	433,460
667,014	-	8,238	64,370	6,913	2,728
443,852	329,670	388,955	278,075	406,988	428,598
-	542,232	525,124	595,097	674,312	761,748
$ 9,933,024	$10,103,459	$10,288,151	$10,786,554	$11,853,304	$12,960,900

STATE OF MICHIGAN
RATIO OF ANNUAL GENERAL FUND DEBT SERVICE TRANSFERS FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS
LAST TEN YEARS
SEPTEMBER 30, 1985
(In Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE TRANSFERS	TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS	RATIO OF DEBT SERVICE TRANSFERS TO GENERAL FUND EXPENDITURES AND TRANSFERS
1975-1976	$ 34,621	$ 32,639	$ 67,260	$ 5,826,019	1.15%
1976-1977	32,626	26,617	59,244	5,326,996	1.11
1977-1978	37,270	25,429	62,700	6,107,850	1.03
1978-1979	40,470	23,088	63,558	6,853,855	.93
1979-1980	34,984	21,085	56,069	7,563,326	.74
1980-1981	33,885	17,341	51,227	7,482,732	.68
1981-1982	40,279	16,579	56,859	7,516,015	.76
1982-1983	43,000	14,471	57,471	8,143,129	.71
1983-1984	41,000	12,367	53,367	9,051,729	.59
1984-1985	44,418	12,185	56,603	9,724,446	.58

NOTE: In 1975-1976 the fiscal year end was changed from June 30 to September 30, resulting in a 15-month period which began on July 1, 1975 and ended on September 30, 1976.

Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

This schedule was prepared on the Statutory/Budgetary basis.

STATE OF MICHIGAN
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS
SEPTEMBER 30, 1985
(In Thousands)

FISCAL YEAR	POPULATION*	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	NET BONDED DEBT	NET BONDED DEBT PER CAPITA (IN DOLLARS)
1975-1976	9,140	$573,500	$2,655	$570,845	62.46
1976-1977	9,183	537,500	3,188	534,312	58.18
1977-1978	9,230	527,500	4,447	523,053	56.67
1978-1979	9,261	482,500	3,385	479,114	51.73
1979-1980	9,241	439,100	6,179	432,920	46.85
1980-1981	9,196	409,600	5,837	403,762	43.91
1981-1982	9,099	361,000	6,204	354,795	38.99
1982-1983	9,056	309,300	7,960	301,339	33.28
1983-1984	9,107	259,300	3,132	256,167	28.13
1984-1985	9,137	241,700	2,607	239,092	26.17

NOTE: In 1975-1976 the fiscal year end was changed from June 30 to September 30, resulting in a 15-month period which began on July 1, 1975 and ended on September 30, 1976.

*SOURCE: Federal Bureau of the Census and Michigan Department of Management and Budget.

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ECONOMIC AND SOCIAL DATA

STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 57,022 square miles of land mass (exclusive of 1,194 square miles of inland water and 38,575 square miles of great lakes water area) with 3,288 miles of shoreline on four of the five great lakes. A combined water and land area of 96,791 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years, estimated at September 30 (in thousands):

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Population......	9,140	9,183	9,230	9,261	9,241	9,196	9,099	9,056	9,107	9,137
Percent Change..........	.2%	.5%	.5%	.3%	(.2%)	(.5%)	(1.1%)	(.5%)	.6%	.3%

Source:

U.S. Bureau of the Census (adjusted to September 30 by the Office of Revenue and Tax Analysis, Michigan Department of Management and Budget).

WEALTH

The following table presents per capita income, retail sales, and taxable property values in Michigan and the United States during the years 1980-1984:

	Per Capita Income (a)		Retail Sales (b) (In Millions)		Taxable Property Value (c) (In Millions)	Bank Deposits (d) (In Millions)
YEAR	MI	U.S.	MI	U.S.	MI	
1980	9,798	9,494	38,532	959,561	82,646	$61,519,129
1981	10,451	10,544	40,516	1,041,327	92,059	64,323,614
1982	10,743	11,113	39,239	1,072,065	98,210	66,747,736
1983	11,493	11,690	42,803	1,174,298	98,344	74,035,053
1984	12,607	12,789	47,012	1,297,015	100,171	78,737,903

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business.
(b) U.S. Department of Commerce, Bureau of the Census, Current Business Reports.
(c) State of Michigan, Department of Treasury, State Tax Commission.
(d) This includes state and national banks, state (but not federal) credit unions, and state and federal savings and loan associations.

STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA (Continued)

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the calendar years 1975-84:

Year	Total Labor Force	Total Employment	Unemployment	Unemployment
1975	3,985	3,408	486	12.4%
1976	3,994	3,621	373	9.3%
1977	4,117	3,780	336	8.2%
1978	4,198	3,909	289	6.9%
1979	4,312	3,977	335	7.8%
1980	4,293	3,759	534	12.4%
1981	4,306	3,777	529	12.3%
1982	4,277	3,616	661	15.5%
1983	4,287	3,679	608	14.2%
1984	4,359	3,871	488	11.2%

Wage and salary employment for 1980-1984 consisted of the following (in millions):

	1980	1981	1982	1983	1984
Wage and Salary Employment					
Manufacturing					
Durable Goods	795.0	778.1	684.5	685.8	743.7
Nondurable Goods	203.9	200.9	192.4	194.7	202.0
Total Manufacturing	998.9	979.0	876.9	880.5	945.8
Nonmanufacturing					
Construction	116.8	106.8	89.5	86.5	89.2
Transportation Communications and Utilities	152.2	147.9	143.3	139.4	138.5
Wholesale Trade	161.5	157.9	150.7	154.6	170.0
Retail Trade	572.1	556.8	542.6	556.9	573.6
Finance, Insurance and Real Estate	156.5	155.0	151.9	151.4	153.8
Services	644.5	649.6	650.3	675.0	696.5
Mining	12.5	12.9	10.4	9.0	9.4
Total Nonmanufacturing	1,816.1	1,786.9	1,738.6	1,722.8	1,831.0
Government	627.8	598.4	577.8	569.8	566.5
Total Wage and Salary Employment	3,442.8	3,364.3	3,193.3	3,223.1	3,343.3

Source: Michigan Employment Security Commission.